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NEDBANK

NEDBANK LIMITED

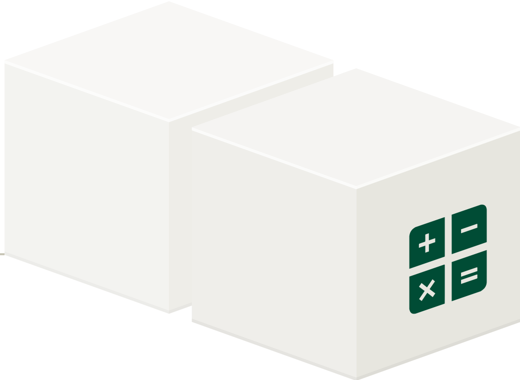
ANNUAL REPORT

for the year ended 31 December 2014

A Member of the OLDMUTUAL Group

2014 HIGHLIGHTS

HEADLINE EARNINGS ▲12,4% R8 077m	NIR/EXPENSES RATIO 73,5% 2013: 76,6%	RETURN ON EQUITY 12,5% 2013: 12,2%
COMMON-EQUITY TIER 1 RATIO 11,0% 2013: 10,7%	CREDIT LOSS RATIO 82 bps 2013: 110 bps	RETURN ON ASSETS 1,11 % 2013: 1,06%



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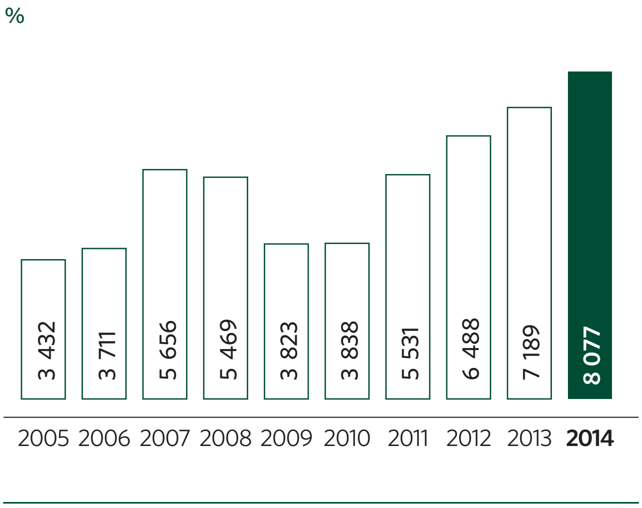
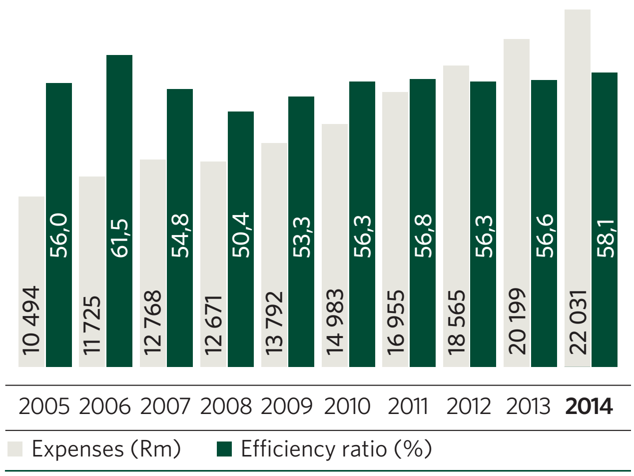
FINANCIAL HIGHLIGHTS
for the year ended 31 December

		2014	2013
Headline earnings reconciliation			
Profit attributable to equity holders of the parent	Rm	**7 998**	7 152
Non-headline earnings items	Rm	**(79)**	(37)
Non-headline earnings items	Rm	**(96)**	(55)
Taxation on non-headline earnings items	Rm	**17**	18
Headline earnings	Rm	**8 077**	7 189
Key ratios			
Net interest income to average interest-earning banking assets	%	**3,37**	3,40
Credit loss ratio – banking advances	%	**0,82**	1,10
Non-interest revenue to total income	%	**42,7**	43,3
Efficiency ratio	%	**58,1**	56,6
Total equity attributable to equity holders of the parent	Rm	**52 236**	47 973
Return on ordinary shareholders' equity	%	**12,5**	12,2
Average interest-earning banking assets	Rm	**644 737**	595 249
Total assets	Rm	**753 444**	699 155
Return on total assets	%	**1,11**	1,06
Total risk-weighted assets	Rm	**368 823**	336 858
Bank capital adequacy ratios (including unappropriated profits):			
– Common-equity tier 1	%	**11,0**	10,7
– Tier 1	%	**12,1**	12,1
– Total	%	**14,7**	14,5
Share statistics			
Number of shares in issue:			
– Ordinary shares	m	**27,2**	27,2
– Preference shares	m	**358,3**	358,3
Weighted average number of ordinary shares	m	**27,2**	27,2
Headline earnings per ordinary share	cents	**29 650**	26 390
Dividends per preference share:			
– Declared per share	cents	**75,62212**	70,83331
Interim	cents	**36,86072**	35,12556
Final	cents	**38,76140**	35,70775
– Paid per share	cents	**72,56847**	70,95205
– Preference share traded price			
Closing	cents	**975**	1 037
High	cents	**1 056**	1 090
Low	cents	**925**	1 040
– Number of preference shares traded	m	**59,5**	72,3

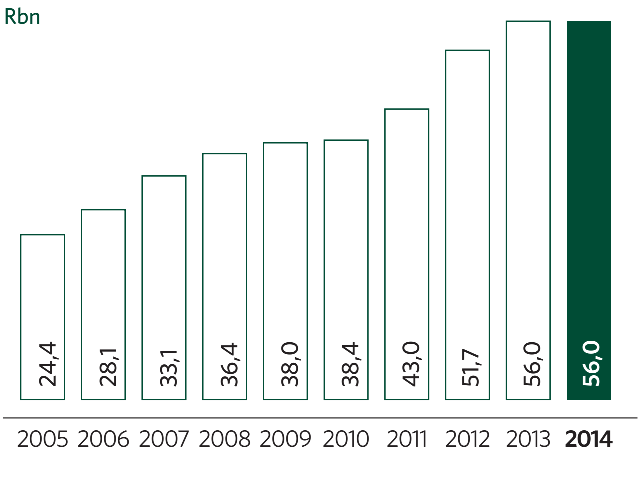
HEADLINE EARNINGS



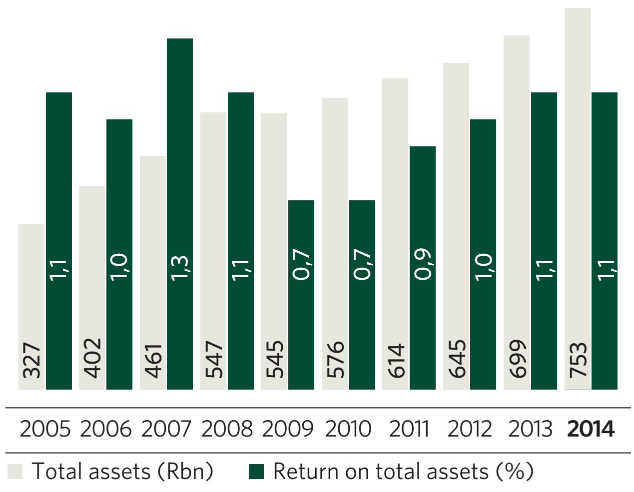
EXPENSES AND EFFICIENCY RATIO



TOTAL EQUITY

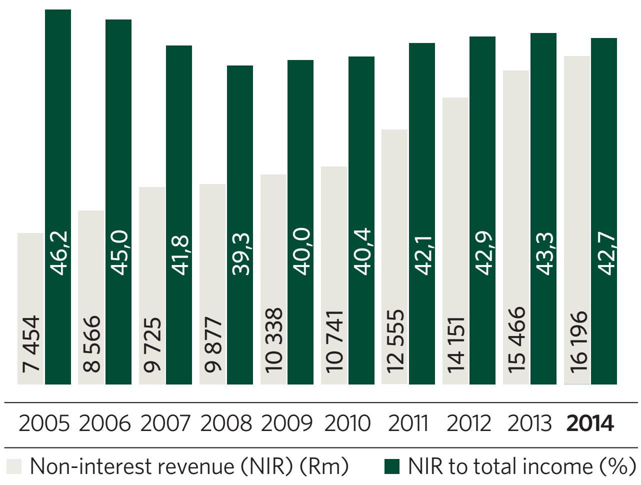


TOTAL ASSETS AND RETURN ON TOTAL ASSETS



NET INTEREST INCOME TO AVERAGE INTEREST-EARNING BANKING ASSETS

NON-INTEREST REVENUE TO TOTAL INCOME



Rm	2014	2013	2012	2011
Consolidated statement of comprehensive income				
Interest and similar income	**50 075**	44 107	42 900	41 417
Interest expense and similar charges	**28 322**	23 873	24 102	24 119
Net interest income	**21 753**	20 234	18 798	17 298
Impairments charge on loans and advances	**4 478**	5 529	5 239	5 321
Income from lending activities	**17 275**	14 705	13 559	11 977
Non-interest revenue	**16 196**	15 466	14 151	12 555
Operating income	**33 471**	30 171	27 710	24 532
Total operating expenses	**22 031**	20 199	18 601	16 955
Indirect taxation	**522**	480	460	413
Profit from operations before non-headline earnings items	**10 918**	9 492	8 649	7 164
Non-headline earnings items	**(96)**	(55)	(49)	(48)
Profit from operations	**10 822**	9 437	8 600	7 116
Share of (losses)/profits of associate companies and joint arrangements	**12**	28		
Profit before direct taxation	**10 834**	9 465	8 600	7 116
Direct taxation	**2 786**	2 297	2 159	1 610
Profit for the year	**8 048**	7 168	6 441	5 506
Profit attributable to:				
– Ordinary and preference equity holders	**7 998**	7 152	6 410	5 483
– Non-controlling interest – ordinary shareholders	**50**	16	31	23
– Non-controlling interest – preference shareholders				
	8 048	7 168	6 441	5 506
Headline earnings	**8 077**	7 189	6 460	5 531

2010	2009	2008	2007	2006	2005
43 421	49 332	55 154	40 185	27 089	22 574
27 556	33 795	39 874	26 631	16 600	13 878
15 865	15 537	15 280	13 554	10 489	8 696
6 360	6 659	4 755	2 115	1 465	987
9 505	8 878	10 525	11 439	9 024	7 709
10 741	10 338	9 877	9 725	8 566	7 454
20 246	19 216	20 402	21 164	17 590	15 163
14 983	13 792	12 671	12 768	11 725	10 494
387	402	356	298	334	213
4 876	5 022	7 375	8 098	5 531	4 456
(103)	(32)	745	25	183	833
4 773	4 990	8 120	8 123	5 714	5 289
	(1)	9	54	68	67
4 773	4 989	8 129	8 177	5 782	5 356
983	960	1 791	2 185	1 669	935
3 790	4 029	6 338	5 992	4 113	4 421
3 737	3 790	6 106	5 681	3 870	4 228
53	224	217	298	243	193
	15	15	13		
3 790	4 029	6 338	5 992	4 113	4 421
3 838	3 823	5 469	5 656	3 711	3 432

Rm	2014	2013	2012	2011
Consolidated statement of financial position				
Assets				
Cash and cash equivalents	**10 757**	17 467	12 587	11 514
Other short-term securities	**56 322**	35 004	37 575	31 715
Derivative financial instruments	**15 644**	13 811	14 660	14 314
Government and other securities	**26 828**	31 279	26 194	29 991
Loans and advances	**603 329**	566 047	520 116	493 107
Other assets	**5 393**	4 204	4 528	3 989
Current taxation assets	**236**	340	241	629
Investment securities	**2 369**	2 932	2 832	3 549
Non-current assets held for sale	**16**	12	508	8
Investments in private-equity associates, associate companies and joint arrangements	**1 158**	1 098	1 029	565
Deferred taxation assets	**165**	69	362	66
Investment property		87	84	488
Property and equipment	**7 459**	6 571	6 171	6 082
Long-term employee benefit assets	**4 409**	2 847	1 992	2 027
Mandatory reserve deposits with central banks	**14 843**	13 199	12 641	11 862
Intangible assets	**4 516**	4 188	3 830	3 634
Total assets	**753 444**	699 155	645 350	613 540
Equity and liabilities				
Ordinary share capital	**27**	27	27	27
Ordinary share premium	**17 422**	17 422	17 422	14 422
Reserves	**34 787**	30 524	26 140	24 856
Total equity attributable to equity holders of the parent	**52 236**	47 973	43 589	39 305
Preference share capital and premium	**3 561**	3 561	3 561	3 561
Non-controlling interest attributable to:				
– ordinary shareholders	**183**	141	136	121
– preference shareholders				
Total equity	**55 980**	51 675	47 286	42 987
Derivative financial instruments	**15 479**	16 588	13 475	13 791
Amounts owed to depositors	**634 623**	585 497	542 671	516 540
Provisions and other liabilities	**8 404**	10 016	9 273	8 286
Current taxation liabilities	**35**	13	67	27
Other liabilities held for sale			36	
Deferred taxation liabilities	**287**	297	367	997
Long-term employee benefit liabilities	**3 002**	1 804	1 880	1 473
Long-term debt instruments	**35 634**	33 265	30 295	29 439
Total liabilities	**697 464**	647 480	598 064	570 553
Total equity and liabilities	**753 444**	699 155	645 350	613 540

2010	2009	2008	2007	2006	2005
7 469	6 823	7 638	9 545	11 165	10 586
21 955	14 408	10 411	11 775	13 855	9 496
14 077	12 871	23 114	9 924	10 314	12 534
31 667	35 754	41 834	29 271	22 031	22 505
471 447	446 428	436 420	375 421	321 724	250 410
3 613	3 917	4 731	4 920	5 120	5 088
440	580	314	29	138	119
2 999	3 012	2 743	2 739	2 385	2 419
5	12	10		41	66
933	922	913	735	690	397
48	36	71	65	48	626
82	102	104	75	66	87
5 394	4 754	4 124	3 757	3 323	3 039
1 965	1 783	1 667	1 305	1 357	1 225
11 068	10 437	10 061	8 351	7 026	5 732
3 328	3 151	2 977	2 715	2 605	2 651
576 490	544 990	547 132	460 627	401 888	326 980
27	27	27	27	27	27
14 422	14 422	14 422	14 422	14 422	14 422
20 281	18 174	16 927	13 954	9 583	6 263
34 730	32 623	31 376	28 403	24 032	20 712
3 560	3 483	3 122	3 122	2 770	2 770
110	1 796	1 644	1 307	955	872
	91	300	300	300	
38 400	37 993	36 442	33 132	28 057	24 354
11 930	10 799	23 077	10 336	11 549	15 463
491 038	467 924	464 082	391 526	341 708	272 492
6 179	5 218	6 145	10 419	9 098	5 224
76	162	117	275	338	333
1 358	1 514	1 982	1 470	1 410	774
1 408	1 298	1 227	1 145	1 210	1 067
26 101	20 082	14 060	12 324	8 518	7 273
538 090	506 997	510 690	427 495	373 831	302 626
576 490	544 990	547 132	460 627	401 888	326 980

DIRECTORS' RESPONSIBILITY

The directors are responsible for the preparation and fair presentation of the consolidated financial statements of Nedbank Limited (comprising the statement of financial position at 31 December 2014, the statement of comprehensive income, the statement of changes in equity and statement of cashflows for the year then ended), the segmental reporting and the notes to the financial statements (including a summary of significant accounting policies and other explanatory notes) in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IAS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the Companies Act, 71 of 2008 (as amended) and the JSE listings requirements. In addition, the directors are responsible for the preparation of the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and there is no reason to believe that the business will not be a going concern in the year ahead.

The auditors are responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements of Nedbank Limited, as identified in the first paragraph, were approved by the Nedbank board of directors on 20 February 2015 and are signed on its behalf by:

Dr RJ Khoza
Chairman

MWT Brown
Chief Executive

Sandown

20 February 2015

COMPANY SECRETARY'S CERTIFICATION

In terms of section 88(2)(e) of the Companies Act, 71 of 2008 (as amended), I certify that, to the best of my knowledge and belief, Nedbank Limited has filed with the Commissioner all such returns and notices as are required by the Companies Act, 71 of 2008 (as amended), and that all such returns and notices are true, correct and up to date.

TSB Jali
Company Secretary

Sandown

20 February 2015

Overview

The Nedbank Group Audit Committee (GAC) assists the board in fulfilling its oversight responsibilities, in particular with regard to evaluation of the adequacy and efficiency of accounting policies, internal controls and financial reporting processes. In addition the GAC assesses the effectiveness of the internal auditors and the, independence and effectiveness of the external auditors.

Composition

The GAC consists of four members, all of whom are independent non-executive directors, and is chaired by Malcolm Wyman. The GAC met five times during the year at times which were aligned with the group's financial reporting cycle. The Chief Executive (CE), the Chief Financial Officer (CFO), the Chief Operating Officer (COO), the Chief Risk Officer (CRO), the Chief Internal Auditor (CIA), the Chief Governance and Compliance Officer and representatives of the external auditors are invited to attend all GAC meetings.

GAC members	Scheduled meeting attendance
Malcolm Wyman (Chairman)	5/5
Nomavuso Mnxasana	5/5
Paul Makwana	5/5
Tom Boardman (appointed 12 May 2014)	2/2

Committee governance and effectiveness

The legal responsibilities of the GAC are governed by the Companies Act, 71 of 2008 ('Companies Act'), and the Banks Act, 94 of 1990 (as amended) ('Banks Act'). These responsibilities, and compliance with appropriate governance and international best practice, are dealt with in the committee's charter, which is reviewed annually and was approved by the board.

The chairman of the committee reports to the board on the matters discussed at each committee meeting and the minutes of each meeting are circulated to all boardmembers.

The GAC Chairman has regular contact with the management team, including the CEO, the COO, the CRO, the CIA and the CFO, to address relevant matters directly. The CIA and the external auditors have direct access to the committee, including closed sessions without management, on any matter that they regard as relevant to the fulfilment of the committee's responsibilities.

New members of the GAC undergo an induction programme, which includes briefings on matters relevant to the responsibilities of the committee, and meet with the finance executive. On going training is provided to committee members on a range of financial, regulatory and other compliance matters. During 2014 training was conducted on the investor relations function and JSE reporting requirements; non-interest income key drivers and areas of judgement; integrated reporting framework and developments; and global mega trends within the taxation environment.

The performance of the committee is reviewed annually through a self-assessment questionnaire. The 2014 review concluded that the committee continued to operate effectively and meet its objectives.

Internal control

The GAC monitored the effectiveness of the group's internal controls and compliance with the Enterprisewide Risk Management Framework (ERMF). The emphasis on risk governance is based on three lines of defence and the GAC uses the regular reports received from the three lines of defence to evaluate the effectiveness of the internal controls. The ERMF places weight on accountability, responsibility, independence, reporting, communication and transparency, both internally and with all Nedbank's key external stakeholders.

The functions of the three lines of defence, as well as the principal responsibilities that extend across the group, are set out in the Risk and Balance Sheet Management Review available at **nedbankgroup.co.za**. For the period under review the GAC monitored management's effectiveness at:

- creating and maintaining an effective internal control environment throughout the group;
- demonstrating the necessary respect for the control environment; and
- identifying and correcting weaknesses in systems and internal controls.

The GAC received regular reports from the Group Information Technology Committee regarding the monitoring of the adequacy and efficiency of the group's information systems and from the Group Credit Committee regarding its oversight of the adequacy and efficiency of the credit monitoring processes and systems.

The GAC received regular reports on issues in the group's key issues control log from the CRO and regular reports regarding governance and compliance matters (including the Companies Act and Banks Act) from the Chief Governance and Compliance Officer.

As required by King III the GAC received confirmation from the CIA regarding the effectiveness of internal financial controls, internal controls and risk management.

Having considered, analysed, reviewed and debated information provided by management as well as Internal Audit and the external auditors, the GAC considered that the internal controls of the group had been effective in all material aspects throughout the year under review.

Financial reporting process

The GAC received regular reports from the CFO regarding the financial performance of the group, the tracking and monitoring of key performance indicators, details of budgets, forecasts, long-term plans and capital expenditures, financial reporting controls and processes, and the adequacy and reliability of management information used during the financial reporting process.

The GAC reviewed and approved the accounting policies of the group as reported in the annual financial statements, monitoring the consistency of application and compliance with accounting standards. The GAC also reviewed and approved the related group policies (Finance and Accounting Risk Policy, Taxation Policy and Regulatory Reporting Policy). The GAC further assessed and confirmed the appropriateness of the going-concern assumption used in the annual financial statements, taking into account management budgets and the capital and the liquidity profiles.

The GAC also:

- received a summary of the key technical accounting matters from the CFO for consideration as well as a summary of critical accounting judgements and estimates made during the financial reporting process;
- received input where there have been substantive discussions between management and the external auditors; and
- discussed all key areas of judgement with management and the external auditors.

The GAC satisfied itself as to the expertise, resources and experience of the finance function, as well as the appropriateness of the expertise and experience of the CFO in terms of the JSE Listings Requirements.

Over the past year and a half, there have been significant changes in reporting by audit committees in the United Kingdom, driven by regulatory and stakeholder requirements for greater transparency from audit committees in reporting the matters that the audit committee considered to be significant to the financial statements and how they addressed these matters. The GAC considered the UK audit committee reporting developments to be best practice and have chosen to adopt them in the current year. Key areas of management judgement applied in the preparation of the financial statements and assessed by the GAC in the current year are:

- **Fair value of financial instruments** – The GAC reviewed reports from the CFO regarding the Investment Committee review of investment valuations and details of critical valuation judgements applied to the valuation of group treasury and trading instruments. Financial instruments and investments are disclosed in notes 35 and 36 to the financial statements and in the accounting policy discussed in note 1.5 to the financial statements.
- **Taxation-related matters** – The GAC reviewed reports from the CFO regarding the tax computation and, where applicable, levels of judgement in determining tax accrual and the deferred tax balance. The taxation expense and related balances are disclosed in note 11.
- **Credit risk provisions** – The GAC reviewed reports from the Group Credit Committee regarding the level and appropriateness of impairments, provisioning methodologies, and related key judgements in determining the impairment balances.

- **Impairment considerations for goodwill, intangible assets and associate investments** – The GAC reviewed reports from the CFO regarding the annual goodwill impairment assessment, the consideration of impairment applied to certain intangible assets, and related assumptions and judgements and the consideration of the indicators of impairment for associate investments. The methodology used by the group for goodwill impairment testing is set out in note 1.7 to the financial statements.
- **Employee benefits** – The GAC reviewed reports from the CFO regarding the valuation of postretirement medical aid and pension fund obligations by independent actuaries and the level of judgement applied in those actuarial valuations. Details of the key assumptions used are set out in note 3.6 to the financial statements.

In future, our external auditors will be required to report key audit matters in their report, those matters that in the auditors' judgement were of most significance in their audit. Those key audit matters may include the key areas of management judgement described above or may extend to other matters. The GAC will continue to provide information in their report to allow users of the financial statements to understand how the GAC considered and evaluated the significant matters described by the external auditors.

Regulatory reporting process

The GAC reviewed the adequacy of the regulatory reporting processes as required by the Banks Act, which includes evaluation of the quality of reporting and the adequacy of systems and processes, and consideration of any findings regarding the regulatory reports by the external auditors. The GAC also hosts an annual trilateral meeting with representatives of the Bank Supervision Department of the South African Reserve Bank (SARB) where, among other things, key external audit findings, internal audit matters and reporting responsibilities in terms of the regulations are discussed and the SARB provides feedback on industry-related issues.

Internal Audit

Internal Audit performs an independent assurance function and forms part of the third line of defence as set out in the ERMF in the integrated report. The CIA has a functional reporting line to the committee chairman and an operational reporting line to the CEO.

The GAC, with respect to its evaluation of the adequacy and effectiveness of internal controls, receives reports from the CIA, assesses the effectiveness of the group internal audit function and reviews and approves the Group Internal Audit plan. In particular the GAC:

- ensured that the CIA has a direct reporting line to the chairman of the GAC;
- reviewed and recommended the Internal Audit Charter for approval by the board of directors;
- monitored the effectiveness of the internal-audit function in terms of its scope, execution of its plan, coverage, independence, skills, staffing, overall performance and position within the organisation; and
- monitored and challenged, where appropriate, action taken by management with regard to adverse internal-audit findings.

External auditors

The group's external auditors are Deloitte & Touche and KPMG. The GAC has a well-established policy on auditor independence and audit effectiveness. During the period the GAC:

- recommended to the board the selection of the external auditors and the approval of their audit fees for the year under review;
- approved the external auditors' annual plan and related scope of work, confirming suitable reliance on Group Internal Audit and the appropriateness of key audit risks identified and related audit effort; and
- monitored the effectiveness of the external auditors in terms of their skills, independence, execution of the audit plan, reporting and overall performance.
- further annual review of the quality of the audit and the performance of the joint external auditors was performed by Internal Audit by analysing critical competencies expected of the external auditors through interviews with and the responses to questionnaires by key finance staff, Group Internal Audit members central to the assessment process and members of the GAC.

The GAC also approved the Non-audit Services Policy that specifies that the external auditors are precluded from engaging in non-audit services that would compromise their independence or violate any professional requirements or regulations affecting their appointment as auditors. However, the external auditors may provide non-audit services that do not interfere with their independence and where their skills and experience make them a logical supplier, subject to preapproval by the committee. The GAC received regular reports as to the scope and quantum of non-audit services proposed and delivered and confirmation from the external auditors that their independence (in respect of audit services and non-audit services) has not been impaired. Fees paid to the auditors are disclosed in note 8 to the annual financial statements.

During the period under review Nedbank Group's ultimate holding company, Old Mutual plc, invited tenders for its external audit. Although the Nedbank Group audit was not itself required to be the subject of a tender, the GAC did support the Old Mutual plc process by evaluating, in respect of Nedbank Group, the tender participants determined by Old Mutual plc and reporting observations for consideration to Old Mutual plc. Old Mutual plc subsequently confirmed that KPMG had been retained as their external auditors and therefore, since KPMG is one of our joint external auditors, there were no implications for Nedbank Group.

The GAC considered the independence of the joint external auditors on an ongoing basis during the year. The GAC also examined the auditors' proposed audit plan in July and assessed their skills, reporting and overall performance based on a formal review following the year end audit. It was confirmed that the joint external auditors were effective, and they were recommended to the board for reappointment in 2015.

Key focus areas for 2015

- Review and consideration of management plans in respect of future changes to the International Financial Reporting Standards (IFRS), most notably:
  - IFRS 9: Financial Instruments, which comprises three main sections, namely classification and measurement of financial assets and financial liabilities, impairment methodology and hedge accounting. This standard will be effective from 1 January 2018 and is expected to have a significant impact on impairment methodologies in banking across the globe.
  - IFRS 15: This standard relates to revenue from contracts with clients and although significant and very relevant to the group, it is not expected to bring material changes when it becomes effective on 1 January 2017.
- Monitoring of major technology implementations, the largest of which was the SAP ERP program undertaken in 2014 and implemented early in 2015, impacting the entire financial accounting control environment.
- Continued focus on ensuring that the group's financial systems, processes and controls are operating effectively, are consistent with the group's complexity and are responsive to changes in the environment and industry.

Annual financial statements and integrated reporting process

The GAC reviewed and discussed the audited annual financial statements with the CFO, the CE, the CRO, Internal Audit and the external auditors. The GAC assessed, and found to be effective and appropriate, the financial reporting process and controls that led to the compilation of the annual financial statements as well as the presentation and disclosure in the annual financial statements with regard to the approved accounting policies, IFRS and the requirements for fair presentation of the Companies Act.

The GAC reviewed and discussed the integrated report reporting process, governance and financial information included in the integrated report after considering recommendations received from the Group Transformation, Social and Ethics Committee, the Group Remuneration Committee, the Group Risk and Capital Management Committee and the Group Directors' Affairs Committee.

The GAC recommended to the board that the annual financial statements and the financial information included in the integrated report be approved. The board subsequently approved the annual financial statements and the integrated report, which will be open for discussion at the forthcoming annual general meeting.

Malcolm Wyman

Group Audit Committee Chairman

20 February 2015

The board of directors have pleasure in presenting the annual financial statements of Nedbank Limited for the year ended 31 December 2014.

Nature of business

Nedbank Limited ('Nedbank' or 'the company') is a registered bank that, through its subsidiaries, provides a wide range of banking and financial services. Nedbank maintains a primary listing of its non-redeemable, non-cumulative, non-participating preference shares under 'Preference Shares' on JSE Ltd (the JSE).

Annual financial statements

Details of the financial results are set out on pages 16 to 118 of the annual financial statements, which have been prepared under the supervision of the Nedbank Chief Financial Officer, Mrs RK Morathi, and audited in compliance with the Financial Reporting Guides as issued by the Accounting Practices Committee, and the requirements of the Companies Act, 71 of 2008 (as amended) and the JSE Listings Requirements.

Year under review

The year under review is fully covered in the Chairman's Review, Chief Executive's Review and the Chief Financial Officer's Review in the 2014 Nedbank Group Integrated Report.

Share capital

Details of the authorised and issued share capital, together with details of shares issued during the year, appear in note 29 to the annual financial statements.

Ownership

The holding company of Nedbank is Nedbank Group Ltd ('Nedbank Group'), whose holding company is Old Mutual Life Assurance Company (SA) Limited and associates. Nedbank Group holds 100% of the issued ordinary shares of the company. The ultimate holding company is Old Mutual plc, incorporated in England and Wales. Further details of shareholders appear in note 52 to the annual financial statements.

Dividends

Details of the dividends appear in note 13 to the annual financial statements.

Directors

Biographical details of the current directors appear in the Board of directors section. Details of directors' and prescribed officers' remuneration and Nedbank Group shares and Nedbank non-redeemable, non-cumulative, non-participating preference shares issued to directors and prescribed officers appear in the Reporting back on remuneration section.

During the period under review, and also subsequent to year-end, the following changes occurred to the Nedbank Board:

- David Adomakoh was appointed as a non-executive director on 21 February 2014;
- Mantsika Matooane was appointed as a non-executive director on 15 May 2014;
- Brian Dames was appointed as a non-executive director on 30 June 2014;
- Paul Hanratty was appointed as a non-executive director on 8 August 2014;
- Mfundo Nkuhlu was appointed as an executive director and Chief Operating Officer on 1 January 2015;
- Graham Dempster stood down as the Chief Operating Officer on 1 January 2015, but remained on the board as an executive director; and

In terms of Nedbank's memorandum of incorporation, not less than one-third of the directors are required to retire at each Nedbank annual general meeting and may offer themselves for election or reelection. The directors so retiring are firstly those directors appointed by the Nedbank board since the last annual general meeting, and thereafter those longest in office since their last election.

Brian Dames, Paul Hanratty, Mantsika Matooane, Mfundo Nkuhlu and Vassi Naidoo were appointed by the board of directors since the previous Nedbank annual general meeting and, in terms of the memorandum of incorporation, their appointments terminate at the close of the meeting. They are available for election. Nomavuso Mnxasana and Mpho Makwana are also required to seek reelection at the annual general meeting. The aforementioned directors make themselves available for reelection and separate resolutions will be submitted for approval at the annual general meeting to be held on 7 May 2015.

In terms of Nedbank Group policy, as applied by Nedbank, non-executive directors and independent non-executive directors of Nedbank who have served on the board for a period longer than nine years are required to retire. Reuel Khoza, Mustaq Enus-Brey and Gloria Serobe were appointed to the Nedbank board on 16 August 2005 and they will retire at the close of the Nedbank Group annual general meeting on 11 May 2015. The board has resolved to elect Vassi Naidoo as Chairman of Nedbank immediately after the close of the Nedbank Group annual general meeting, subject to Nedbank shareholders having elected him as a non-executive director.

Graham Dempster has reached the retirement age for executive directors and he also retires from the Nedbank board at the close of the Nedbank Group annual general meeting.

Details of the members of the board who served during the year and at the reporting date are given below:

Name	Position as director	Date appointed as director	Date resigned/retired as director (where applicable)
DKT Adomakoh	Non-executive director	21 February 2014	
TA Boardman	Non-executive director	1 November 2002 (1 March 2010 as non-executive)	
MWT Brown	Chief Executive	17 June 2004	
BA Dames	Non-executive director	30 June 2014	
GW Dempster	Executive director	5 August 2009	
MA Enus-Brey	Non-executive director	16 August 2005	
ID Gladman	Non-executive director	7 June 2012	
PB Hanratty	Non-executive director	8 August 2014	
RJ Khoza	Chairman and non-executive director	16 August 2005	
PM Makwana	Non-executive director	17 November 2011	
MA Matooane	Non-executive director	15 May 2014	
NP Mnxasana	Non-executive director	1 October 2008	
RK Morathi	Chief Financial Officer and executive director	1 September 2009	
JK Netshitenzhe	Non-executive director	5 August 2010	
MC Nkuhlu	Chief Operating Officer and executive director	1 January 2015	
JVF Roberts (British)	Non-executive director	1 December 2009	
GT Serobe	Non-executive director	16 August 2005	
MI Wyman (British)	Senior independent director	1 August 2009	

Vassi Naidoo was appointed as a non-executive director and Chairman designate with effect from 1 May 2015.

Directors' interests

Nedbank Group holds the issued ordinary shares.

The directors' interests in ordinary shares in Nedbank Group and non-redeemable, non-cumulative preference shares in Nedbank at 31 December 2014 are set out in the Reporting back on remuneration section. The directors had no interest in any third party or company responsible for managing any of the business activities of the group. Banking transactions with directors are entered into in the normal course of business under terms that are no more favourable than those arranged with third parties.

Audit Committee and Group Transformation, Social and Ethics Committee Reports

The report from our Group Audit Committee appears on pages 10 and 11 and the Report from Group Transformation, Social and Ethics Committee Chair appears in the Nedbank Group Integrated Report.

Company Secretary and registered office

The board of directors have conducted an assessment of the Company Secretary and is satisfied that Mr Jali is suitably competent, qualified and experienced and has adequately and effectively performed the role and duties of a company secretary. Mr Jali has direct access to, and ongoing communication with, the Chairman of the board. Mr Jali is not a director of the company and the board is satisfied that as far as is reasonably possible, an arms-length relationship between the Company Secretary and the board is intact.

Details of Mr Jali's qualifications and experience appear in the Established and admired leadership teams section of the 2014 Nedbank Group Integrated Report.

The Company Secretary's addresses and the registered office are as follows:

Business address	Registered address	Postal address
Nedbank Limited	135 Rivonia Road	Nedbank Limited
Nedbank 135 Rivonia Campus	Sandown, Sandton 2196	PO Box 1144 Johannesburg, 2000
135 Rivonia Road	SA	SA
Sandown, Sandton, 2196		
SA		

Property and equipment

There was no material change in the nature of the fixed assets of Nedbank or its subsidiaries or in the policy regarding their use during the year.

Political donations

Nedbank Group has an established policy of not making donations to any political party.

Contracts and matters in which directors and officers of the company have an interest

No contracts in which directors and officers of the company had an interest and that significantly affected the affairs or business of the company or any of its subsidiaries were entered into during the year.

In 2005 the WIPHOLD Consortium and the Brimstone Consortium were chosen as active black business partners to assist in growing and repositioning the Nedbank Group business and driving its internal transformation. Consequently, performance agreements were entered into between Nedbank Group and the aforementioned parties, which govern, inter alia, the setting of the performance criteria, their evaluation and the resultant performance fees in respect of the black business partners. Mrs GT Serobe is founder, executive director and 9% shareholder of Women Investment Portfolio Holdings Limited (WIPHOLD) and Chief Executive of Wipcapital (Proprietary) Limited, a wholly owned subsidiary of WIPHOLD. Mr MA Enus-Brey is Chief Executive Officer and 8,83% shareholder of Brimstone Investment Corporation Limited and a director of various Brimstone subsidiary companies. The WIPHOLD Financial Services Number Two Trust and the Brimstone-Mtha Financial Services Trust matured on 1 January 2015.

Also in 2005, Aka Capital (Pty) Limited ('Aka Capital'), in which Dr RJ Khoza is a director and 27% shareholder, was appointed as business development partner of Nedbank Group and a performance agreement was similarly entered into between Nedbank Group and Aka Capital. The Aka-Nedbank Eyethu Trust subsequently matured on 1 January 2011.

Mr JK Netshitenzhe is an executive director of the Mapungubwe Institute for Strategic Reflection (Mistra). In 2014 Mistra, received a grant of R1m (2013: R2m) from the Nedbank Eyethu Community Trust (formed in 2005 as part of Nedbank Group's BEE transaction). The Nedbank Eyethu Community Trust provides funding to charitable or non–profit organisations that qualify. The grant to Mistra was evaluated against the normal criteria for funding by the trust.

Directors' and prescribed officers' service contracts

There are no service contracts with the directors of the company, other than for the chairman and executive directors as set out below. The directors who entered into these service contracts remain subject to retirement by rotation in terms of Nedbank's memorandum of incorporation.

The key responsibilities relating to Reuel Khoza's position as Chairman of Nedbank Group, and similarly for Vassi Naidoo who is the Chairman-designate, are encapsulated in contracts.

Service contracts have been entered into for Messrs MWT Brown, GW Dempster, MC Nkuhlu and Ms RK Morathi. These service contracts are effective until the executive directors reach the normal retirement age and stipulate a maximum notice period of six months (12 months for Mr Brown) under most circumstances.

Details relating to the service contracts of prescribed officers are incorporated in the Reporting back on remuneration section.

Insurance

The group has placed cover in the London insurance market for up to R2.55bn for losses in excess of R50m. Group captive insurers provide cover for total losses below the R50m level engagement point, retaining R100m, in any one year. Selected insurance covers are placed with the Old Mutual Group.

Subsidiary companies

Details of principal subsidiary companies are reflected in note 52 to the annual financial statements at **nedbankgroup.co.za**.

Special resolutions by subsidiaries:

- 6 March 2014 by Depfin Investments (Pty) Ltd for the creation and allotment of 90 Class E and 287 Class F cumulative non-convertible no par value preference shares.
- 17 March 2014 by Fidelity Nominees (RF) (Pty) Ltd for the adoption of a new memorandum of incorporation, conversion to a private company, and adding (RF) to the company's name.
- 24 March 2014 by Morened (Pty) Ltd for the adoption of a new memorandum of incorporation and conversion to a private company.
- 4 April 2014 by Bene Inventa (Pty) Ltd for the adoption of a new memorandum of incorporation.
- 6 June 2014 by Nedcor Investments Ltd for the adoption of a new memorandum of incorporation.
- 6 June 2014 by Nedgroup Investment 102 Ltd for the adoption of a new memorandum of incorporation.
- 11 August 2014 by Depfin Investments (Pty) Ltd for the subdivision of 400 Class C cumulative non-convertible no par value preference shares into 400 000 Class C cumulative non-convertible no par value preference shares and for the subdivision of 400 Class D cumulative non-convertible no par value preference shares into 400 000 Class D cumulative non-convertible no par value preference shares.
- 3 June 2014 by Nedcor Bank Nominees (RF) (Pty) Ltd for the adoption of a new memorandum of incorporation, conversion to a private company and adding (RF) to the company's name.
- 18 June 2014 by BoE Holdings (Pty) Ltd for the adoption of a new memorandum of incorporation and conversion to a private company.
- 10 November 2014 by Eighty One Main Street Nominees (RF) (Pty) Ltd for the adoption of a new memorandum of incorporation, conversion to a private company and adding (RF) to the company's name.
- 8 December 2014 by The Board of Executors Mortgages (Pty) Ltd for the adoption of a new memorandum of incorporation.
- 22 December 2014 by Depfin Investments (Pty) Ltd for the creation and allotment of 600 Class H cumulative non-convertible no par value preference shares and for the creation and allotment of 100 Class I cumulative non-convertible no par value preference shares.

Acquisition of shares

No shares in Nedbank were acquired by Nedbank or by a Nedbank subsidiary during the financial year under review.

Events after the reporting period

On 15 January 2015 Nedbank Limited's unsecured subordinated NEDH1A and NEDH1B notes were redeemed and R225m of new-style tier 2 debt instruments issued. A further R5,4bn of senior unsecured debt was issued on 12 February 2015.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEDBANK LIMITED

We have audited the consolidated financial statements of Nedbank Limited set out on pages 16 to 118, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nedbank Limited at 31 December 2014, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated financial statements for the year ended 31 December 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc

KPMG Inc.
Registered Auditor

Per Heather Berrange
Chartered Accountant (SA)
Director

KPMG Crescent
85 Empire Road
Parktown, Johannesburg
2193

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per Mgcinisihlalo Jordan
Chartered Accountant (SA)
Partner

Building 8, Deloitte Place
The Woodlands, Woodlands Drive
Woodmead, Sandton
2128

A full list of partners and directors is available on request.

Sandown

20 February 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

	Accounting policy	Notes	2014 Rm	2013 Rm
Interest and similar income	1.23	5	**50 075**	44 107
Interest expense and similar charges	1.23	6	**28 322**	23 873
Net interest income			**21 753**	20 234
Impairments charge on loans and advances	1.5	19.1	**4 478**	5 529
Income from lending activities			**17 275**	14 705
Non-interest revenue	1.21, 1.23	7	**16 196**	15 466
Operating income			**33 471**	30 171
Total operating expenses	1.23	8	**22 031**	20 199
Indirect taxation		9	**522**	480
Profit from operations before non-trading and capital items			**10 918**	9 492
Non-trading and capital items		10	**(96)**	(59)
Fair-value adjustments of investment properties	1.10	25.1		4
Profit from operations			**10 822**	9 437
Share of profits of associate companies and joint arrangements	1.3		**12**	28
Profit before direct taxation			**10 834**	9 465
Direct taxation	1.6	11.1	**2 786**	2 297
Profit for the year			**8 048**	7 168
Other comprehensive income net of taxation			**126**	932
Items that may be reclassified subsequently to profit or loss				
– Exchange differences on translating foreign operations	1.4		**14**	96
– Fair-value adjustments on available-for-sale assets	1.5		**(113)**	(108)
Items that may not be reclassified subsequently to profit or loss				
– Gains on property revaluations	1.9		**163**	218
– Remeasurements on long-term employee benefit assets	1.8		**62**	726
Total comprehensive income for the year			**8 174**	8 100
Profit attributable to:				
– Ordinary and preference equity holders	1.3		**7 998**	7 152
– Non-controlling interest – ordinary shareholders	1.3		**50**	16
			8 048	7 168
Total comprehensive income attributable to:				
– Ordinary and preference equity holders	1.3		**8 123**	8 084
– Non-controlling interest – ordinary shareholders	1.3		**51**	16
Total comprehensive income for the year			**8 174**	8 100

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2014

	Accounting policy	Notes	2014 Rm	2013 Rm
ASSETS				
Cash and cash equivalents	1.5, 1.25	14	**10 757**	17 467
Other short-term securities	1.5	15	**56 322**	35 004
Derivative financial instruments	1.5	16	**15 644**	13 811
Government and other securities	1.5	17	**26 828**	31 279
Loans and advances[1]	1.5	18	**603 329**	566 047
Other assets	1.5	20	**5 393**	4 204
Current taxation assets	1.6		**236**	340
Investment securities	1.5	21	**2 369**	2 932
Non-current assets held for sale	1.11	23	**16**	12
Investments in private-equity associates, associate companies and joint arrangements	1.3, 1.5	22	**1 158**	1 098
Deferred taxation assets	1.6	24	**165**	69
Investment property	1.10	25		87
Property and equipment	1.9, 1.19	26	**7 459**	6 571
Long-term employee benefit assets	1.8	27	**4 409**	2 847
Mandatory reserve deposits with central banks	1.5, 1.25	14	**14 843**	13 199
Intangible assets	1.3, 1.7, 1.12	28	**4 516**	4 188
Total assets			**753 444**	699 155
EQUITY AND LIABILITIES				
Ordinary share capital	1.15, 1.16	29.1	**27**	27
Ordinary share premium	1.15		**17 422**	17 422
Reserves	1.4, 1.14		**34 787**	30 524
Total equity attributable to equity holders of the parent			**52 236**	47 973
Preference share capital and premium	1.15	29.2	**3 561**	3 561
Non-controlling interest attributable to ordinary shareholders	1.3		**183**	141
Total equity			**55 980**	51 675
Derivative financial instruments	1.5	16	**15 479**	16 588
Amounts owed to depositors[2]	1.5	30	**634 623**	585 497
Provisions and other liabilities	1.5, 1.13	31	**8 404**	10 016
Current taxation liabilities	1.6		**35**	13
Deferred taxation liabilities	1.6	24	**287**	297
Long-term employee benefit liabilities	1.8	27	**3 002**	1 804
Long-term debt instruments	1.5	32	**35 634**	33 265
Total liabilities			**697 464**	647 480
Total equity and liabilities			**753 444**	699 155

[1] *Included in loans and advances are loans to fellow subsidiaries amounting to R18.6bn (2013: R17.0 bn).*
[2] *Included in amounts owed to depositors are deposits from fellow subsidiaries amounting to R11.4bn (2013: R8.5bn).*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Foreign currency translation reserve[1] Rm	Property revaluation reserve[2] Rm
Balance at 31 December 2012	27 241 024	27	17 422	87	1 346
Preference share dividend					
Dividend to shareholders					
Total comprehensive income for the year				96	218
Transfer (from)/to reserves				(35)	(27)
Share-based payments reserve movement					
Disposal of subsidiary					
Regulatory risk reserve provision					
Other movements					
Balance at 31 December 2013	**27 241 024**	**27**	**17 422**	**148**	**1 537**
Preference share dividend					
Dividend to shareholders					
Total comprehensive income for the year				**14**	**163**
Transfer (from)/to reserves					**(36)**
Share-based payments reserve movement					
Regulatory risk reserve provision					
Other movements					
Balance at 31 December 2014	**27 241 024**	**27**	**17 422**	**162**	**1 664**

1 *This represents the cumulative foreign exchange differences that arise on the translation of an entity with a different functional currency compared with the presentation currency of the parent company. The cumulative reserve relating to a subsidiary that is disposed of is included in the determination of profit/loss on disposal of the subsidiary.*

2 *This represents the cumulative amounts that have been recognised on the revaluation of group properties net of deferred taxation. When the property is disposed of, the cumulative revaluation surplus is transferred directly to retained income.*

3 *All share-based payment expenses are recognised in the statement of comprehensive income, with the corresponding amount recognised in share-based payment reserves. Any excess tax benefit over the relative tax on the share-based payments expense is recognised directly in this reserve. On the expiry or exercise of a share-based instrument the cumulative amount recognised in this respect is transferred directly to other distributable reserves. The negative share-based payment reserve arises from the grants paid by Nedbank Limited to various share schemes to acquire Nedbank Group Limited shares, which is recognised directly in equity. The reconciliation shown in this note is the cumulative share-based payment charge for all share schemes.*

4 *Represents other non-distributable revaluation surplus on capital items and non-distributable reserves transferred from other distributable reserves in order to comply with various banking regulations.*

5 *This comprises all fair-value adjustments, net of the related tax on all financial assets that have been classified as available for sale. On the disposal or impairment of available-for-sale financial assets the cumulative gains and the associated tax recognised on these instruments are recognised in profit and loss for the period and are not included in the determination of headline earnings per share.*

6 *Represents the accumulated profits after distributions to shareholders and appropriation of retained earnings to other non-distributable earnings.*

All movements are reflected net of taxation.

Reserves								
	Share-based payments reserve[3] Rm	Other non-distributable reserves[4] Rm	Available-for-sale reserve[5] Rm	Other distributable reserves[6] Rm	Total equity attributable to equity holders of the parent Rm	Preference share capital and premium Rm	Non-controlling interest attributable to ordinary shareholders Rm	Total equity Rm
	(401)	73	237	24 798	43 589	3 561	136	47 286
				(292)	(292)			(292)
				(3 450)	(3 450)		(8)	(3 458)
			(108)	7 878	8 084		16	8 100
	(11)	11		62				
	49				49			49
							(3)	(3)
		(4)			(4)			(4)
				(3)	(3)			(3)
	(363)	**80**	**129**	**28 993**	**47 973**	**3 561**	**141**	**51 675**
				(323)	**(323)**			**(323)**
				(3 400)	**(3 400)**		**(9)**	**(3 409)**
			(113)	**8 059**	**8 123**		**51**	**8 174**
	(7)	**(7)**		**50**				
	(145)				**(145)**			**(145)**
		7			**7**			**7**
				1	**1**			**1**
	(515)	**80**	**16**	**33 380**	**52 236**	**3 561**	**183**	**55 980**

CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended 31 December

	Notes	2014 Rm	2013 Rm
Cash generated by operations	33.1	**18 386**	17 772
Cash received from clients	33.2	**66 220**	59 522
Cash paid to clients, employees and suppliers	33.3	**(48 803)**	(42 665)
Dividends received on investments		**40**	37
Recoveries on loans previously written off		**929**	878
Change in funds for operating activities		**(16 624)**	(7 076)
Increase in operating assets	33.4	**(64 065)**	(53 704)
Increase in operating liabilities	33.5	**47 441**	46 628
Net cash from operating activities before taxation		**1 762**	10 696
Taxation paid	33.6	**(3 463)**	(3 059)
Cashflows (utilised by)/from operating activities		**(1 701)**	7 637
Cashflows utilised by investing activities		**(2 011)**	(1 427)
Acquisition of property and equipment, computer software and development costs and investment property		**(2 439)**	(1 678)
Disposal of property and equipment, computer software and development costs and investment property		**45**	6
Net movement on non-current assets held for sale		**(4)**	496
Disposal of investment banking assets		**11**	14
Acquisition of private-equity associates, associate companies and joint arrangements		**(181)**	(121)
Disposal of private-equity associates, associate companies and joint arrangements		**133**	80
Acquisition of other investments		**(174)**	(1 142)
Disposal of other investments		**598**	918
Cashflows utilised by financing activities		**(1 354)**	(772)
Issue of long-term debt instruments		**7 004**	8 785
Redemption of long-term debt instruments		**(4 635)**	(5 815)
Dividends paid to ordinary shareholders	33.7	**(3 400)**	(3 450)
Preference share dividends paid		**(323)**	(292)
Effects of exchange rate changes on opening cash and cash equivalents (excluding foreign borrowings)		**[1]**	[1]
Net (decrease)/increase in cash and cash equivalents		**(5 066)**	5 438
Cash and cash equivalents at the beginning of the year[2]		**30 666**	25 228
Cash and cash equivalents at the end of the year[2]	14	**25 600**	30 666

[1] *Represents amounts less than R1m.*

[2] *Including mandatory reserve deposits with central banks.*

SEGMENTAL REPORTING
for the year ended 31 December

The group's identification of its segments and the measurement of segment results are based on the group's internal management reporting as used for day-to-day decisionmaking and as reviewed by the chief operating decisionmaker, which in Nedbank Limited's case is the Group Executive Committee. The segments have been identified according to the nature of their respective products and services and their related target markets.

Nedbank Capital
Nedbank Capital comprises the group's investment banking businesses that together manage the structuring, lending, underwriting and trading businesses. Nedbank Capital seeks to provide seamless specialist advice, debt and equity raising and execution and trading capabilities in all the major SA business sectors.

Nedbank Corporate
Nedbank Corporate comprises the client-focused businesses of Corporate Banking, Property Finance as well as the specialist support areas of Transactional Banking and Corporate Shared Services. These businesses focus mainly on providing lending, deposit-taking, commercial property finance and transactional banking to large corporates, financial institutions, the public sector and government clients. Corporate Banking engages with companies that have annual turnovers exceeding R700m (with strategic exceptions) and lending requirements greater than R50m. This target market also includes the public sector and strategic BEE partnerships. Property Finance specialises in providing specifically structured property finance solutions to commercial, industrial, retail, residential and affordable housing developments as well as partnerships through joint ventures or minority equity investments. Transactional Banking supports the wholesale clusters and segments of retail with business solutions, transactional product solutions and innovation, and is also responsible for managing our correspondent banking relationships. Corporate Shared Services is the delivery and service centre for transactional processing. It also houses Nedbank Investor Services (NIS) through which it provides custodial services and secured lending to the collective investments industry.

Nedbank Retail
Nedbank Retail serves the financial needs of all individuals (excluding high-net-worth individuals) and small businesses with a turnover of up to R10m, to whom it offers a full spectrum of banking and assurance products and services. The Nedbank Retail product portfolio includes transactional accounts, home loans, vehicle and asset finance [including Motor Finance Corporation], card (both card-issuing and merchant-acquiring services), personal loans and investments.

Nedbank Business Banking
Nedbank Business Banking offers the full spectrum of commercial banking products and related services to companies with an annual turnover of up to R700m.

Nedbank Wealth
Nedbank Wealth provides a range of financial services through three divisions of Wealth Management, Asset Management and Insurance. The cluster has operations in SA, London, on the Isle of Man, Jersey, Guernsey and the UAE. Nedbank Wealth creates, manages and protects the wealth of a wide spectrum of clients ranging from high-net-worth individuals all the way through to the entry level market.

Rest of Africa Division
The Rest of Africa Division is responsible for the group's banking operations and expansion activities in the rest of Africa. The Rest of Africa Division has client-facing subsidiaries (retail and wholesale banking) in Lesotho, Malawi, Namibia, Swaziland and Zimbabwe and an investment, with management control, in a bank in Mozambique. The division also holds the 20,7% investment in Ecobank Transnational Incorporated, manages the Ecobank-Nedbank alliance and facilitates investments in other countries in Africa.

Centre
The centre is an aggregation of business operations that provide various support services to Nedbank Group Ltd, which includes the following clusters: Group Finance, Group Technology, Group Strategic Planning and Economics, Group Human Resources, Enterprise Governance and Compliance, Group Risk and Group Marketing, Communications and Corporate Affairs. The centre also includes Group Balance Sheet Management which is responsible for capital management, liquidity and funding management, the management of banking book interest rate risk, margin management and strategic portfolio management.

	Nedbank Ltd		Fellow subsidiaries		Nedbank Capital		Nedbank Corporate	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Statement of financial position (Rm)								
Cash and cash equivalents	**25 600**	30 666	**(2 650)**	(3 407)	**2 619**	10 986	**3 435**	2 755
Other short-term securities	**56 322**	35 004	**(10 912)**	(7 447)	**29 414**	30 969		
Derivative financial instruments	**15 644**	13 811	**71**	421	**15 551**	13 327	**(52)**	(52)
Government and other securities	**26 828**	31 279	**(349)**	(812)	**10 084**	9 635	**5 926**	6 117
Loans and advances	**603 329**	566 047	**(9 692)**	(13 325)	**105 601**	109 549	**199 557**	175 274
Other assets	**25 721**	22 348	**(32 337)**	(25 869)	**4 903**	6 242	**4 203**	4 269
Intergroup assets	**-**	-						
Total assets	**753 444**	699 155	**(55 869)**	(50 439)	**168 172**	180 708	**213 069**	188 363
Equity and liabilities								
Total equity	**55 980**	51 675	**(14 931)**	(12 661)	**6 891**	5 863	**10 606**	8 514
Derivative financial instruments	**15 479**	16 588	**7**	8	**15 429**	16 546		
Amounts owed to depositors	**634 623**	585 497	**(18 827)**	(17 455)	**137 391**	106 226	**182 009**	176 234
Provisions and other liabilities	**11 728**	12 130	**(22 114)**	(20 328)	**6 626**	6 372	**1 558**	2 042
Long-term debt instruments	**35 634**	33 265	**(4)**	(3)	**1 159**	1 051		
Intergroup liabilities	**-**	-			**676**	44 650	**18 896**	1 573
Total equity and liabilities	**753 444**	699 155	**(55 869)**	(50 439)	**168 172**	180 708	**213 069**	188 363
Statement of comprehensive income (Rm)								
Net interest income	**21 753**	20 234	**(1 208)**	(986)	**1 937**	1 608	**3 982**	3 525
Impairments charge on loans and advances	**4 478**	5 529	**(28)**	(36)	**106**	306	**400**	385
Income from lending activities	**17 275**	14 705	**(1 180)**	(950)	**1 831**	1 302	**3 582**	3 140
Non-interest revenue	**16 196**	15 466	**(4 116)**	(3 895)	**3 206**	3 078	**2 256**	1 944
Operating income	**33 471**	30 171	**(5 296)**	(4 845)	**5 037**	4 380	**5 838**	5 084
Total operating expenses	**22 031**	20 199	**(2 503)**	(2 220)	**2 256**	2 156	**2 408**	2 169
Indirect taxation	**522**	480	**(113)**	(121)	**68**	36	**6**	32
Profit/(Loss) from operations	**10 918**	9 492	**(2 680)**	(2 504)	**2 713**	2 188	**3 424**	2 883
Share of profits/(losses) of associate companies and joint arrangements	**12**	28	**(149)**	1			**12**	26
Profit/(Loss) before direct taxation	**10 930**	9 520	**(2 829)**	(2 503)	**2 713**	2 188	**3 436**	2 909
Direct taxation	**2 803**	2 315	**(684)**	(718)	**572**	473	**837**	664
Profit/(Loss) after direct taxation	**8 127**	7 205	**(2 145)**	(1 785)	**2 141**	1 715	**2 599**	2 245
Profit attributable to non-controlling interest:								
- ordinary shareholders	**50**	16	**(19)**	(12)	**13**	(11)		
- preference shareholders	**-**	-	**(323)**	(292)				
Headline earnings/(loss)	**8 077**	7 189	**(1 803)**	(1 481)	**2 128**	1 726	**2 599**	2 245
Selected ratios								
Average interest-earning banking assets (Rm)	**644 737**	595 249	**(7 457)**	534	**117 151**	97 506	**193 751**	173 642
Return on total assets (%)	**1,11**	1,06			**1,18**	1,11	**1,30**	1,25
Return on ordinary shareholders' equity (%)	**12,5**	12,2			**30,9**	29,4	**24,5**	26,4
Net interest income to average interest-earning banking assets (%)	**3,37**	3,40			**1,65**	1,65	**2,06**	2,03
Non-interest revenue to total income (%)	**42,7**	43,3			**62,3**	65,7	**36,2**	35,5
Non-interest revenue to total operating expenses (%)	**73,5**	76,6			**142,1**	142,7	**93,7**	89,7
Credit loss ratio - banking advances (%)	**0,82**	1,10			**0,14**	0,51	**0,21**	0,23
Efficiency ratio	**11,7**	8,7			**43,9**	46,0	**38,5**	39,5
Effective taxation rate (%)	**25,6**	24,3			**21,1**	21,6	**24,4**	22,8
Contribution to group economic profit	**1 215**	1 136	**(897)**	(978)	**1 198**	963	**1 167**	1 138
Number of employees	**28 872**	27 875	**(1 627)**	(1 638)	**665**	683	**2 123**	2 186

[1] *Includes all group eliminations.*

The 2013 comparative results for the segmental reporting have been restated. The Rest of Africa Division is now reported separately, and Central Management and Shared Services are collectively reported as the Centre. The restatement has had no effect on the group results and ratios, and only affects segment results and ratios.

Depreciation costs of R906m (2013: R841m) and amortisation costs of R644m (2013: R566m) for property, equipment, computer software and capitalised development are charged on an activity-justified transfer pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

Total Nedbank Retail and Nedbank Business Banking		Nedbank Retail		Nedbank Business Banking		Nedbank Wealth		Rest of Africa Division		Centre	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
2932	2 616	2932	2 616			934	1 706	3328	2 779	15002	13 231
–	–					9943	6 847	1849	958	26028	3 677
–	–					1	2	24	20	49	93
377	379	377	379					336	709	10454	15 251
268882	258 220	203063	195 435	65819	62 785	24819	22 082	14073	14 700	89	(453)
5888	5 014	5532	4 725	356	289	21912	20 274	7818	951	13334	11 467
45761	36 142			45761	36 142					(45761)	(36 142)
323840	302 371	211904	203 155	111936	99 216	57609	50 911	27428	20 117	19195	7 124
27565	26 683	22109	21 903	5456	4 780	2830	2 487	3549	1 998	19470	18 791
–	–					4	1	47	27	(8)	6
224103	201 928	118134	107 931	105969	93 997	26122	21 704	17058	14 406	66767	82 454
3373	3 002	2862	2 563	511	439	17626	16 560	876	566	3783	3 916
1775	1 994	1775	1 994					4	4	32700	30 219
67024	68 764	67024	68 764			11027	10 159	5894	3 116	(103517)	(128 262)
323840	302 371	211904	203 155	111936	99 216	57609	50 911	27428	20 117	19195	7 124
15216	14 314	11720	11 206	3496	3 108	628	531	898	801	300	441
3771	4 765	3500	4 355	271	410	41	59	35	50	153	
11445	9 549	8220	6 851	3225	2 698	587	472	863	751	147	441
10530	10 380	8820	8 651	1710	1 729	3399	3 081	768	675	153	203
21975	19 929	17040	15 502	4935	4 427	3986	3 553	1631	1 426	300	644
16076	14 824	12689	11 705	3387	3 119	2484	2 218	1256	1 126	54	(74)
243	242	215	217	28	25	102	108	30	23	186	160
5656	4 863	4136	3 580	1520	1 283	1400	1 227	345	277	60	558
–	–						(1)	149			2
5656	4 863	4136	3 580	1520	1 283	1400	1 226	494	277	60	560
1562	1 357	1136	1 003	426	354	358	326	85	64	73	149
4094	3 506	3000	2 577	1094	929	1042	900	409	213	(13)	411
–	–							52	40	4	(1)
63	38	63	38							260	254
4031	3 468	2937	2 539	1094	929	1042	900	357	173	(277)	158
306401	289 113	198343	193 027	108058	96 086	32351	27 455	18920	17 207	(16380)	(10 208)
1,24	1,16	1,42	1,27	1,01	0,96	1,91	1,95	1,58	0,90		
14,6	13,0	13,3	11,6	20,1	19,4	36,8	36,2	10,1	8,7		
4,97	4,95	5,91	5,81	3,24	3,24	1,94	1,93	4,75	4,66		
40,9	42,0	42,9	43,6	32,9	35,7	84,4	85,3	46,1	45,7		
65,5	70,0	69,5	73,9	50,5	55,4	136,9	138,9	61,2	59,9		
1,39	1,80	1,70	2,16	0,42	0,65	0,17	0,28	0,23	0,37		
62,4	60,0	61,8	58,9	65,1	64,5	61,7	61,4	69,2	76,3		
27,6	27,9	27,5	28,0	28,0	27,6	25,6	26,6	17,2	23,1		
310	–	(48)	(308)	358	308	660	577	(122)	(87)	(1101)	(477)
20373	19 499	18026	17 153	2347	2 346	2119	2 056	1605	1 501	3614	3 588

1 PRINCIPAL ACCOUNTING POLICIES

The group applies the following accounting policies in preparing the consolidated financial statements of Nedbank Limited.

1.1 Basis of preparation

The financial statements have been prepared on a going-concern basis and have been prepared on a consistent basis with the prior year, except as detailed in note 2.2.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 71 of 2008 (as amended) and the JSE Listings Requirements.

The financial information presented in the consolidated financial statements comprises that of the parent company, Nedbank Limited, together with its subsidiaries, including consolidated structured entities, joint arrangements and associates, presented as a single entity ('the group'). Separate financial statements for the company are available at the company's head office at Nedbank 135 Rivonia Road Campus, 135 Rivonia Road, Sandown, 2196, Johannesburg.

The financial statements are presented in SA rand, the functional currency of Nedbank Limited, and are rounded to the nearest million rands. The statements are prepared on the accrual and historical cost basis of accounting, except for:

- non-current assets and disposal groups held for sale, which are all stated at the lower of the carrying amount and the fair value less costs to sell;
- employee benefit liabilities, valued using the projected-unit credit method, less the net total fair value of the plan assets; and
- the following assets and liabilities, which are stated at their fair value:
  - financial assets and financial liabilities classified as at fair value through profit or loss;
  - financial assets classified as available for sale; and
  - investment properties and owner-occupied properties.

1.2 Accounting policy elections

The following accounting policy elections have been made by the group:

Property and equipment	■ Land and buildings are stated at revalued amounts. ■ Revaluation surpluses are recognised directly in equity, through other comprehensive income.
Investment in venture capital divisions	■ In venture capital divisions the group has elected to carry associate and joint-venture entities at fair value through profit and loss.
Financial instruments	■ The group has elected to designate certain fixed-rate financial assets and liabilities at fair value through profit and loss to reduce the accounting mismatch. ■ Regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting.
Investment properties	■ The group has elected to recognise all investment properties at fair value, with changes in fair value being recognised in profit and loss for the period.
Investments in subsidiaries, associate companies and joint arrangements	■ The group has elected to recognise these investments at cost in the company financial statements.

1.3 Group accounting

The group has adopted IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, as well as the consequential amendments to International Accounting Standard (IAS) 28 Investments in Associates and Joint Ventures (2011), with effect from 1 January 2013.

Subsidiary undertakings and consolidated structured entities

Subsidiary undertakings are those entities, including unincorporated entities such as trusts and partnerships that are controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The group is considered to have power over an entity when it has existing rights that give it the current ability to direct the relevant activities of the entity. The group is exposed, or has rights, to variable returns from its involvement with the entity when the investor's returns from its involvement have the potential to vary as a result of the entity's performance. The group considers all facts and circumstances relevant to its involvement with an entity to evaluate whether control exists. The group assesses any changes to the facts and circumstances relevant to the entity and reassesses the consolidation requirements on a continuous basis.

The group financial statements include the assets, liabilities and results of the company plus subsidiaries, including consolidated structured entities from the date control is established until the date that control ceases.

Where a subsidiary has a reporting period that is different from that of the group, the results of the subsidiary are adjusted to reflect a reporting period consistent with the group's reporting period. Where necessary, adjustments are made to the financial statements of subsidiaries to align any difference in accounting policies with those of the group.

Subsidiaries include structured entities that are designed so that its activities are not governed by way of voting rights. In assessing whether the group has power over such investees in which it has an interest, the group considers factors such as the purpose and design of the investee; its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee.

Intragroup balances, transactions, income and expenses, and profits and losses are eliminated in preparation of the group financial statements. Unrealised losses are not eliminated to the extent that they provide objective evidence of impairment.

Associates

An associate is an entity, including an unincorporated entity, over which the group has the ability to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investment (that is neither a subsidiary nor an investment in a joint arrangement). This is generally demonstrated by the group holding in excess of 20%, but no more than 50%, of the voting rights.

The profit or loss of the associate and assets and liabilities, including goodwill identified on acquisition, net of any accumulated impairment losses, are included in the group financial statements using the equity method of accounting from the date significant influence commences until the date significant influence ceases. Where an associate has a reporting period that is different from that of the group, the results of the associate are adjusted to reflect a reporting period consistent with the group's reporting period. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments. When the group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil, inclusive of any long-term debt outstanding. The recognition of further losses is discontinued, except to the extent that the group has incurred or guaranteed obligations in respect of the associate.

Where an entity within the group transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the associate.

At each reporting date the group determines whether there is objective evidence that the investments in associates are impaired. The carrying amounts of such investments are then reduced to recognise any impairment by applying the impairment methodology described in 1.12.

Investments in associates that are held with the intention of disposing thereof within 12 months are accounted for and classified as noncurrent assets held for sale in accordance with the methodology described in 1.11.

Joint arrangements

Joint arrangements are those entities over which the group has joint control, established by contractual agreements requiring unanimous consent for decisions about activities that significantly affect the arrangements' returns. They are classified and accounted as follows:

- Joint operation – when the group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- Joint venture – when the group has rights only to the net assets of the arrangement, it accounts for its interest using the equity method. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments, by applying the impairment methodology described in 1.12.

Where an entity within the group transacts with a joint arrangement of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the joint arrangement. When the group's share of losses exceeds the carrying amount of the joint arrangement, the carrying amount is reduced to nil. The recognition of further losses is discontinued, except to the extent that the group has incurred or guaranteed obligations in respect of the joint arrangement.

Investments in joint arrangements that are held with the intention of disposing thereof within 12 months are accounted for and classified as non-current assets held for sale in accordance with the methodology described in 1.11.

Common control transactions

For transactions in which combining entities are controlled by the same party or parties before and after the transaction and where that control is not transitory are referred to as common-control transactions. The group's accounting policy for the acquiring entity would be to account for the transaction at book values as reflected in the consolidated financial statements of the selling entity.

The excess of the cost of the transaction over the acquirer's proportionate share of the net assets value acquired in common control transactions, will be allocated to the common control reserve in equity.

Investments held by venture-capital divisions

Where the group has an investment in an associate or joint-venture company held by a venture-capital division, whose primary business is to purchase and dispose of minority stakes in entities, the investment is classified as designated at fair value through profit or loss, as the divisions are managed on a fair-value basis. Changes in the fair value of these investments are recognised in non-interest revenue in profit or loss in the period in which they occur.

Acquisitions and disposals of stakes in group companies

Acquisitions of subsidiaries (entities acquired) and businesses (assets and liabilities acquired) are accounted for using the acquisition method. The cost of a business combination is measured as the aggregate of the fair values (at the acquisition date) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. For all transactions subsequent to 31 December 2008 acquisition-related costs are recognised in profit or loss as incurred. Prior to this date all acquisition-related costs were capitalised to the cost of the acquisition.

Where the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, that asset or liability is measured at the acquisition date at fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of a contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRSs. Changes in the fair value of a contingent consideration that has been classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the date of acquisition, except:

- deferred-taxation assets or liabilities, which are recognised and measured in accordance with IAS 12 Income Taxes, and liabilities or assets related to employee benefit arrangements, which are recognised and measured in accordance with IAS 19 Employee Benefits;
- liabilities or equity instruments that relate to the replacement, by the group, of an acquiree's share-based payment awards, which are measured in accordance with IFRS 2 Share-based Payments; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and discontinued operations, which are measured in accordance with that standard.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.3 Group accounting (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Where provisional amounts were reported, these are adjusted during the measurement period (see below). Additional assets or liabilities are recognised to reflect any new information obtained about the facts and circumstances that existed at the date of acquisition, which, if known, would have affected the amounts recognised on that date.

The measurement period is the period from the date of acquisition to the date the group receives complete information about the facts and circumstances that existed at the acquisition date. This measurement period is subject to a maximum of one year after the acquisition date.

Where a business combination is achieved in stages, the group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date on the date the group attains control, and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income (OCI) are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to the acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination.

The difference between the proceeds from the disposal of a subsidiary, the fair value of any retained investment and its carrying amount at the date of disposal, including the cumulative amount of any exchange differences recognised in the statement of changes in equity that relate to the subsidiary, is recognised as a gain or loss on the disposal of the subsidiary in the group profit or loss for the period.

All changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interests are increased or decreased and the fair value of the consideration paid or received is recognised directly in equity and attributed to the group.

Goodwill

Goodwill arising on the acquisition of a subsidiary is recognised as an asset on the date that control is acquired, being the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net fair value of the identifiable net assets recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred plus the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any), this excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised, but is tested for impairment at least once a year. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary the goodwill attributable to the subsidiary is included in the determination of the profit or loss on disposal.

1.4 Foreign currency translation

Foreign currency transactions

Individual entities within the group may use a different functional currency than that of the group, being the currency of the primary economic environment in which the respective entities operate. Transactions in foreign currencies are translated into the functional currency of the individual entities in the group at the date of the transaction by applying the spot exchange rate ruling at the transaction date to the foreign currency amounts.

Monetary assets and liabilities in foreign currencies are translated into the functional currency of the respective entities of the group at the spot exchange rate ruling at the reporting date.

Exchange differences that arise on the settlement or translation of monetary items at rates that are different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period that they arise.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the respective functional currencies of the group entities using the foreign exchange rates ruling at the dates when the fair values were determined.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are converted into the functional currency of the respective group entities at the rate of exchange ruling at the date of the transaction and are not subsequently retranslated.

Exchange differences on non-monetary items are recognised consistently with the gains and losses that arise on such items. For example, exchange differences relating to an item for which gains and losses are recognised directly in equity are generally recognised in equity. Conversely, exchange differences for non-monetary items for which gains and losses are recognised in profit or loss are recognised in profit or loss in the period in which they arise.

Investments in foreign operations

Nedbank Limited's presentation currency is SA rand.

The assets and liabilities, including goodwill, of those entities that have functional currencies other than that of the group (SA rand) are translated at the closing exchange rate. Income and expenses are translated using the average exchange rate for the period. The differences that arise on translation of these entities are recognised in other comprehensive income (OCI) in the statement of comprehensive income. The cumulative exchange differences are recognised as a separate component of equity and are represented by the balance in the foreign currency translation reserve.

On disposal of a foreign operation the cumulative amount in the foreign currency translation reserve related to that operation is transferred to profit or loss for the period when the gain or loss on the disposal of the foreign operation is recognised.

The primary and major determinants for non-rand functional currencies are the economic factors that determine the sales price for goods and services as well as costs. Additional supplementary factors to be considered are funding, autonomy and cashflows.

1.5 Financial instruments

Financial instruments, as recognised in the statement of financial position, include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, associate companies and joint arrangements (other than investments held by venture capital divisions) and employee benefit plans. Financial instruments are accounted for under IAS 32 Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurement.

The group commenced hedge accounting during the 2014 financial period. This is neither a change in accounting policy nor as a result of the adoption of a new or amended standard, but merely the first-time application of an accounting treatment currently permitted under existing and currently effective IFRS.

This accounting policy should be read in conjunction with the group's categorised statement of financial position, the group's risk management policies and note 35.1.

Initial recognition

Financial instruments are recognised in the statement of financial position when the group becomes a party to the contractual provisions of a financial instrument. All purchases of financial assets that require delivery within the timeframe established by regulation or market convention ('regular-way' purchases) are recognised at the trade date, which is the date on which the group commits to purchase the financial asset. The liability to pay for 'regular-way' purchases of financial assets is recognised on the trade date, which is when the group becomes a party to the contractual provisions of the financial instrument.

Contracts that require or permit net settlement of the change in the value of the contract are not considered 'regular-way' contracts and are treated as derivatives between the trade and settlement dates of the contract.

Initial measurement

Financial instruments that are categorised and designated at initial recognition as being at fair value through profit or loss are recognised at fair value. Transaction costs, which are directly attributable to the acquisition or on issue of these financial instruments, are recognised immediately in profit and loss.

Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique, the variables of which include only data from observable markets, the group defers such differences (day-one gains or losses). Day-one gains or losses are amortised on a straight-line basis over the life of the financial instrument. To the extent that the inputs determining the fair value of the instrument become observable, or on derecognition of the instrument, day-one gains or losses are recognised immediately in profit or loss.

Categories of financial instruments

Subsequent to initial recognition, financial instruments are measured at fair value or amortised cost, depending on their classification and whether fair value can be measured reliably:

- Financial instruments at fair value through profit or loss

  Financial instruments at fair value through profit or loss consist of instruments that are held for trading and instruments that the group has designated, at the initial recognition date, as at fair value through profit or loss.

  The group classifies instruments as held for trading if they have been acquired or incurred principally for the purpose of sale or repurchase in the near term, they are part of a portfolio of identified financial instruments for which there is evidence of a recent actual pattern of short-term profittaking or they are derivatives. The group's derivative transactions include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options (both written and purchased).

  Financial instruments that the group has elected, at the initial recognition date, to designate as at fair value through profit or loss are those that meet any one of the following conditions:
  - the fair value-through-profit-or-loss designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on assets and liabilities on different bases;
  - the instrument forms part of a group of financial instruments that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel, using a fair value basis; or
  - a contract contains one or more embedded derivatives that require separation from the host contract or a derivative that significantly modifies the cashflows of the host contract.

Gains or losses on financial instruments at fair value through profit or loss (excluding interest income and interest expense calculated on the amortised-cost basis relating to interest-bearing instruments that have been designated as at fair value through profit or loss) are reported in non-interest revenue in the period in which they arise. Interest income and interest expense calculated in accordance with the effective-interest method are reported in interest income and expense, except for interest income and interest expense on instruments held for trading, which are recognised in non-interest revenue.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.5 Financial instruments (continued)

- Non-trading financial liabilities

  All financial liabilities, other than those at fair value through profit or loss, are classified as non-trading financial liabilities and are measured at amortised cost. The interest expense is recorded in interest expense and similar charges.

- Held-to-maturity financial assets

  Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the group has the positive intention and ability to hold to maturity, other than those that meet the definition of loans and receivables or those that were designated as at fair value through profit or loss or available for sale. Held-to-maturity financial assets are measured at amortised cost, with interest income recognised in interest and similar income. Gains or losses arising on disposal of held-to-maturity financial assets are recognised in non-interest revenue.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those financial assets classified by the group on initial recognition as at fair value through profit or loss, available for sale or loans and receivables that are held for trading.

  Financial assets that are classified as loans and receivables are carried at amortised cost, with interest income recognised in interest and similar income. Gains or losses arising on disposal are recognised in non-interest revenue. The majority of the group's advances are included in the loans and receivables category.

- Available-for-sale financial assets

  Available-for-sale financial assets are non-derivative financial assets that the group has designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets as at fair value through profit or loss.

  Available-for-sale financial assets are measured at fair value, with fair-value gains or losses recognised in other comprehensive income, unless the asset has been designated as a hedged item in a fair-value hedging relationship subject to hedge accounting. In a fair-value hedging relationship, the portion of the fair-value gain or loss of the asset attributable to the hedged risk is recorded in profit and loss to offset changes in the fair value of the hedging instrument. Any other changes in the fair value of the asset attributable to aspects other than the hedged risk, is recognised in other comprehensive income.

  Foreign currency translation gains or losses on monetary items, impairment losses and interest income calculated using the effective-interest-rate method, is reported in profit or loss.

Derivative financial instruments and hedge accounting

Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative, subject to the offsetting principles as described under 'Offsetting financial instruments and related income'.

The method of recognising fair-value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged.

- Derivatives that qualify for hedge accounting

  The group applies hedge accounting when transactions meet the criteria set out in IAS 39. When derivatives are designated as hedging instruments, the group classifies them as either:
  - hedges of the change in fair value of recognised assets or liabilities or firm commitments ('fair-value hedges');
  - hedges of the variability in highly probable future cashflows attributable to a recognised asset or liability, or a forecast transaction ('cashflow hedges'); or
  - a hedge of a net investment in a foreign operation ('net investment hedges').

Cashflow hedges and hedges of net investments in foreign entities do not currently form part of the group's hedging strategy.

At the inception of a hedging relationship, the group designates and documents the relationship between the hedging instrument and the hedge item as well as its risk management objective and strategy for undertaking the hedging transactions, and the nature of the risk being hedged. The group also documents its assessment of whether the hedging instrument is effective in offsetting changes in fair value or cashflow of the hedged item attributable to the hedged risk.

Hedge effectiveness is assessed at inception and throughout the term of each hedging relationship. Each hedge must be expected to be highly effective (prospective effectiveness), and demonstrates actual effectiveness (retrospective effectiveness) on an ongoing basis.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedges risk during the period for which the hedge is designated. For actual effectiveness to be achieved, the changes in fair value or cashflows must offset each other in the range of 80% to 125%.

Interest on designated qualifying hedges is included in net interest income.

- Fair-value hedges

  Where a hedging relationship is designated as a fair-value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Fair-value gains and losses arising on the remeasurement of both the hedging instrument and the hedged item are recognised in 'net interest income', for so long as the hedging relationship is effective. Any hedge ineffectiveness is recognised in profit and loss in non-interest revenue.

  If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair-value hedge accounting, or the designation is revoked, then hedge accounting is discontinued.

- Derivatives that do not qualify for hedge accounting

  All gains and losses from changes in the fair value of derivatives that do not qualify for hedge accounting are recognised immediately in non-interest revenue.

Embedded derivatives

Derivatives in a host contract that is a financial or non-financial instrument, such as an equity-conversion option in a convertible bond, are separated from the host contract when all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract; and
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the combined contract is not measured at fair value, with changes in fair value recognised in profit or loss.

The host contract is accounted for:

- under IAS 39 if it is a financial instrument; and
- in accordance with other appropriate accounting standards if it is not a financial instrument.

If an embedded derivative is required to be separated from its host contract, but it is not possible to separately measure the fair value of the embedded derivative, either at acquisition or at a subsequent financial reporting date, the entire hybrid instrument is categorised as at fair value through profit or loss and measured at fair value.

Measurement basis of financial instruments

There are two bases of measurement, namely amortised cost and fair value:

- Amortised cost

  The amortised cost of a financial instrument is the amount at which the financial instrument is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective-interest method of any difference between the initial contractual amount and the maturity amount, less any cumulative impairment losses.

  The effective-interest method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income and expense over the relevant period. The effective-interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial instrument. When calculating the effective interest rate, cashflows are estimated considering all contractual terms of the financial instrument, but future credit losses are not considered. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

- Fair value

  The fair value of a financial instrument is the amount that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

  The fair value of instruments that are quoted in an active market is determined using quoted prices where they represent those at which regularly and recently occurring transactions take place.

  The group uses valuation techniques to establish the fair value of instruments where quoted prices in active markets are not available.

  For a detailed discussion of the fair value of financial instruments refer to note 35.1.

Impairment of financial assets

The group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has (or events have) an impact on the estimated future cashflows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the group about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in respect of interest or principal payments;
- the group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the group would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cashflows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

Loans that would otherwise be past due or impaired and whose terms have been renegotiated and display the characteristics of a performing loan are reset to performing status. Loans whose terms have been renegotiated continue to be monitored to determine whether they are considered to be impaired or past due.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.5 Financial instruments (continued)

- Assets carried at amortised cost

  If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity financial assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cashflows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

  The group first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the group determines that there is no objective evidence of impairment for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit-risk characteristics and collectively assesses them for impairment.

  If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal may not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date on which the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period.

- Available-for-sale financial assets

  When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity, in the statement of comprehensive income, and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity, in the statement of comprehensive income, is removed from equity and recognised in profit or loss. The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

  If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss for the period.

- Maximum credit risk

  Credit risk arises principally from loans and advances to clients, investment securities, derivatives and irrevocable commitments to provide facilities. The maximum credit risk is typically the gross carrying amount, net of any amounts offset and impairment losses. The maximum credit exposure for loan commitments is the full amount of the commitment if the loan cannot be settled net in cash or using another financial asset.

Derecognition

The group derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when, and only when:

- the contractual rights to the cashflows arising from the financial asset have expired; or
- it transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retaining control of the asset.

A financial liability (or part of a financial liability) is derecognised when, and only when, the liability is extinguished, ie when the obligation specified in the contract is discharged, cancelled or has expired.

The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in non-interest revenue for the period.

Securitisations

The group securitises various consumer and commercial financial assets, generally resulting in the sale of these assets to structured entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches, interest-only strips or other residual interests (retained interests). Retained interests are primarily recorded in available-for-sale investment securities and carried at fair value.

Gains or losses on securitisation, if the financial assets or liabilities are derecognised, depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognised and the retained interests based on their relative fair values at the date of transfer. Gains or losses on securitisation are recorded in non-interest revenue for the period.

Offsetting financial instruments and related income

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when the group has a legally enforceable right to set off the financial asset and financial liability and the group has an intention of settling the asset and liability on a net basis or realising the asset and settling the liability simultaneously. Income and expense items are offset only to the extent that their related instruments have been offset in the statement of financial position.

Collateral

Financial and non-financial assets are held as collateral in respect of recognised financial assets. Such collateral, except cash collateral, is not recognised by the group, as the group does not retain the risks and rewards of ownership, and is obliged to return such collateral to counterparties on settlement of the related obligations. Should a counterparty be unable to settle its obligations, the group takes possession of collateral or calls on other credit enhancements as full or part-settlement of such amounts. These assets are recognised when the applicable recognition criteria under IFRS are met, and the group's accounting policies are applied from the date of recognition.

Cash collateral is recognised when the group receives the cash and is reported as amounts received from depositors. Collateral is also given to counterparties under certain financial arrangements, but such assets are not derecognised where the group retains the risks and rewards of ownership. Such assets are at risk to the extent that the group is unable to fulfil its obligations to counterparties. For a detailed discussion on collateral see note 47.

Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements are retained in the financial statements, as the group retains all risks and rewards of ownership of the securities. The securities are recorded as trading or investment securities and the counterparty liability is included in amounts owed to other depositors, deposits from other banks, or other money market deposits, as appropriate. Securities purchased under agreements to resell are recorded as loans and advances to other banks or clients, as appropriate. The difference between the sale and repurchase price is treated as interest and recognised over the duration of the agreements using the effective-interest method.

Securities lent to counterparties are also retained in the financial statements and any interest earned is recognised in profit or loss using the effective-interest-rate method. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in non-interest revenue. The obligation to return them is recorded at fair value as a trading liability.

Acceptances

Acceptances comprise undertakings by the group to pay bills of exchange drawn on clients. The group expects most acceptances to be settled simultaneously with the reimbursement from clients. Acceptances are recorded as liabilities within amounts owed to depositors, with the corresponding asset recorded in the statement of financial position within loans and advances.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Issued financial guarantee contracts are recognised as insurance contracts and are measured at the best estimate of the expenditure required to settle any financial obligation as of the reporting date. Liability adequacy testing is performed to ensure that the carrying amount of the liability for issued financial-guarantee contracts is sufficient. Any increase in the liability relating to guarantees is recognised in profit or loss.

1.6 Taxation

Taxation expense, recognised in the statement of comprehensive income, comprises current and deferred taxation. Current or deferred taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it too is recognised in equity and to the extent that it relates to items recognised in OCI, in which case it too is recognised in OCI.

Current taxation

Current taxation is the expected tax payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the reporting date, and any adjustment to taxation payable in respect of previous years (prior-period tax paid).

Deferred taxation

Deferred-taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they reverse.

Deferred taxation is recognised in profit or loss for the period, except to the extent that it relates to a transaction that is recognised directly in equity or in OCI, or a business combination that is accounted for as an acquisition. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred-taxation assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred taxation is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will not reverse in the foreseeable future.

Deferred-taxation assets are recognised to the extent that it is probable that future taxable income will be available against which the unutilised taxation losses and deductible temporary differences can be used. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

Deferred-taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities against current taxation assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxation entities, but they intend to settle current tax liabilities and assets on a net basis or their taxation assets and liabilities will be realised simultaneously.

Deferred-taxation assets and liabilities are not discounted.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.7 Goodwill and intangible assets

Goodwill and goodwill impairment

Goodwill arises on the acquisition of subsidiaries, associates and joint arrangements. Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investments the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill is allocated to one or more cash-generating units (CGUs), being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is allocated to the CGUs in which the synergies from the business combinations are expected. Each CGU containing goodwill is annually tested for impairment. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses that are recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis. However, the carrying amount of these other assets may not be reduced below the highest of its fair value less costs to sell, its value in use and zero.

Impairment testing procedures

The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value in use. The fair value less cost to sell is determined by ascertaining the current market value of an asset (or the CGU) and deducting any costs related to the realisation of the asset.

In assessing value in use the expected future cashflows from the CGU are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the particular CGU.

Impairment losses relating to goodwill are not reversed and all impairment losses are recognised in capital and non-trading items for the period.

Computer software and capitalised development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and expenditure on internally generated goodwill and brands are recognised as an expense in profit or loss for the period.

If costs can be reliably measured and future economic benefits are available, expenditure on computer software and other development activities, whereby set procedures and processes are applied to a project for the production of new or substantially improved products and processes, is capitalised if the computer software and other developed products or processes are technically and commercially feasible and the group has intention and sufficient resources to complete development. The expenditure capitalised includes the cost of materials and directly attributable employee and other direct costs. Computer development expenditure is amortised only once the relevant software is available for use in the manner intended by management. Capitalised software is stated at cost less accumulated amortisation and impairment losses. Expenditure for the development of computers that are not yet available for use is not amortised and is stated at cost less impairment losses.

Amortisation of computer software and development costs is charged to profit or loss on a straight-line basis over the estimated useful lives of these assets, which do not exceed five years and are reviewed annually. Subsequent expenditure relating to computer software is capitalised only when it increases the future economic benefits embodied in the specific asset, in its current condition, to which it relates. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. The profit or loss on the disposal of computer software is recognised in non-trading and capital items (in profit or loss). The profit or loss on disposal is the difference between the net proceeds received and the carrying amount of the asset.

The amortisation methods and residual values of these intangible assets are reviewed on an annual basis.

Contractual client relationships

Contractual client relationships, including the present value of in-force business in insurance businesses, acquired in a business combination are recognised at fair value at the date of acquisition. The contractual client relationships have a finite useful life and are carried at cost less accumulated amortisation. The useful lives of these client relationships are reviewed on an annual basis. Amortisation is calculated using the straight-line method over the expected life of the client relationship.

1.8 Employee benefits

The group operates a number of defined-benefit and defined-contribution plans for eligible employees. The assets of these plans are generally held in separate trustee-administered funds. These benefits are accounted for in accordance with IAS 19.

Defined-benefit plans

The liability recognised in the statement of financial position in respect of defined-benefit pension plans is the present value of the defined-benefit obligation at the reporting date less the fair value of plan assets.

The defined-benefit obligation is calculated annually by independent actuaries using the projected-unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using yields for government bonds that have maturity dates approximating the terms of the group's obligations.

Gains or losses resulting from remeasurements are recognised immediately in other comprehensive income. Remeasurements include actuarial gains and losses, return on plan assets and the asset ceiling.

Current service costs and net interest on the defined-benefit liability are recognised immediately as an expense in profit or loss. Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date the group recognises related restructuring costs.

Plan assets are only offset against plan liabilities where they are assets held by long-term employee benefit funds or qualifying insurance policies. Qualifying insurance policies exclude any policies held by the group's holding or subsidiary companies.

Defined-contribution plans

Contributions to defined-contribution plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

Postemployment benefit plans

The group provides postretirement medical benefits and disability cover for eligible employees. The non-pension postemployment benefits are accounted for, in accordance with their nature, as either a defined-contribution plan or a defined-benefit plan. Similarly, the expected costs associated with such benefits are accounted for in a manner consistent with their classification.

Short-term employee benefits

Short-term employee benefits include salaries, accumulated leave payments, bonuses and non-monetary benefits such as medical aid contributions.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount to be paid under short-term cash-bonus plans or accumulated leave if the group has a present, legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

1.9 Property and equipment

Items of property and equipment are initially recognised at cost if it is probable that any future economic benefits associated with the items will flow to the group and they have a cost that can be measured reliably. Certain items of property and equipment that had been revalued to fair value on 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Subsequent expenditure is capitalised to the carrying amount of items of property and equipment if it is measurable and it is probable that it increases the future economic benefits associated with the asset. All other expenses are recognised in profit or loss as an expense when incurred.

Subsequent to initial recognition, computer equipment, vehicles and furniture and other equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings, the fair values of which can be reliably measured, are carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluation increases are credited directly to equity in 'other comprehensive income' under the heading 'Revaluation reserve'. However, revaluation increases are recognised in profit or loss to the extent that they reverse a revaluation decrease of the same asset previously recognised in profit or loss. Revaluation decreases are recognised in profit or loss. However, decreases are debited directly to equity to the extent of any credit balance existing in the revaluation surplus in respect of the same asset. Land and buildings are revalued on the same basis as investment properties.

This accounting policy should be read in conjunction with note 26.

Depreciation

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Items of property and equipment that are classified as held for sale in terms of IFRS 5 are not depreciated. The depreciable amounts of property and equipment are recognised in profit or loss on a straight-line basis over the estimated useful lives of the items of property and equipment, unless they are included in the carrying amount of another asset. The useful lives, residual values and depreciation methods for property and equipment are assessed and adjusted (where required) on an annual basis.

On revaluation any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the item concerned and the net amount restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount and residual values.

Any difference between the depreciation charge on the revalued amount and that which would have been charged under historic cost is transferred net of any related deferred taxation between the revaluation reserve and retained earnings as the property is utilised. Land is not depreciated.

The maximum initial estimated useful lives are as follows:

Computer equipment	5 years
Motor vehicles	6 years
Fixtures and furniture	10 years
Leasehold property	20 years
Significant leasehold property components	10 years
Freehold property	50 years
Significant freehold property components	5 years

Derecognition

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. On derecognition any surplus in the revaluation reserve in respect of an individual item of property and equipment is transferred directly to retained earnings in the statement of changes in equity.

Compensation from third parties for items of property and equipment that were impaired, lost or given up is included in profit or loss when the compensation becomes receivable.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.10 Investment properties

Investment properties comprise real estate held for earning rentals and/or for capital appreciation. This does not include real estate held for use in the supply of services or for administrative purposes. Investment properties are initially measured at cost plus any directly attributable expenses.

Investment properties are stated at fair value. Internal professional valuers perform valuations annually. For practical reasons valuations are carried out over a cyclical basis over a 12-month period due to the large number of investment properties involved. External valuations are obtained once every three years on a rotational basis. In the event of a material change in market conditions between the valuation date and reporting date an internal valuation is performed and adjustments made to reflect any material changes in value.

The valuation methodology applied is dependent on the nature of the property. Income-generating assets are valued using discounted cashflows. Vacant land, land holdings and residential flats are valued according to sales of comparable properties. Near-vacant properties are valued at land value less the estimated cost of demolition.

Surpluses and deficits arising from changes in fair value are recognised in profit or loss for the period in the statement of comprehensive income.

For properties reclassified during the year from property and equipment to investment properties any revaluation gain arising is initially recognised in profit or loss to the extent of previously charged impairment losses. Any residual excess is taken to the revaluation reserve. Revaluation deficits are recognised in the revaluation reserve to the extent of previously recognised gains and any residual deficit is accounted for in profit or loss for the period.

Investment properties that are reclassified to owner-occupied properties are revalued at the date of transfer, with any difference being taken to profit or loss.

This accounting policy should be read in conjunction with note 25.

1.11 Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount will be recovered principally through sale rather than use.

The asset or disposal group must be available for immediate sale in its present condition and the sale should be highly probable, with an active programme to find a buyer and the appropriate level of management approving the sale.

Immediately before classification as held for sale, all assets and liabilities are remeasured in accordance with the group's accounting policies. Non-current assets (or disposal groups) held for sale are measured at the lower of the carrying amount and fair value less incremental directly attributable cost to sell (excluding taxation and finance charges) and are not depreciated.

Gains or losses recognised on initial classification as held for sale and subsequent remeasurement are recognised in profit or loss, regardless of whether the assets were previously measured at revalued amounts. The maximum gains that can be recognised are the cumulative impairment losses previously recognised in profit or loss. A disposal group continues to be consolidated while classified as held for sale. Income and expenses continue to be recognised in profit or loss.

Non-current assets (or disposal groups) are reclassified from held for sale to held for use if they no longer meet the held-for-sale criteria. On reclassification the non-current asset (or disposal group) is remeasured at the lower of its recoverable amount and the carrying amount that would have been recognised had the asset (or disposal group) never been classified as held for sale. Any gains or losses are recognised in profit or loss, unless the asset was carried at a revalued amount prior to classification as held for sale.

A discontinued operation is a clearly distinguishable component of the group's business that has been disposed of or is held for sale, which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

This accounting policy should be read in conjunction with note 23.

1.12 Impairment (all assets other than financial assets, deferred taxation assets and investment property)

The group assesses all assets (other than financial assets, deferred taxation assets and investment property) for indications of impairment or the reversal of a previously recognised impairment at each reporting date. These impairments (where the carrying amount of an asset exceeds its recoverable amount) or the reversal of a previously recognised impairment is recognised in profit or loss for the period. Intangible assets not yet available for use are tested, at least on an annual basis, for impairment.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. The fair value less cost to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset.

In assessing value in use the expected future pretax cashflows from the asset are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset the cashflows of which are largely dependent on those of other assets the recoverable amount is determined for the CGU to which the asset belongs.

A previously recognised impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior periods.

1.13 Other provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, in respect of which it is probable that an outflow of economic benefits will occur and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the reasonable estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of discounting is material, the provision is discounted. The discount rate reflects current market assessments of the time-value of money and, where appropriate, the risks specific to the liability. Gains from the expected disposal of assets are not taken into account in measuring provisions. Provisions are reviewed at each reporting date and adjusted to reflect the current reasonable estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

Reimbursements

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by a party outside the group, the reimbursement is recognised when it is virtually certain that it will be received if the group settles the obligation. The reimbursement is recorded as a separate asset at an amount not exceeding the related provision. The expense for the provision is presented net of the reimbursement in profit or loss. Specific policies include:

- Onerous contracts

  A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

- Restructuring

  A provision for restructuring is recognised when the group has a detailed formal plan for restructuring and has raised a valid expectation, among those parties directly affected, that the plan will be carried out, either by having begun implementation or by publicly announcing the plan's main features. Restructuring provisions include only those costs that arise directly from restructuring that is not associated with the ongoing activities of the group.

Future operating costs or losses are not provided for.

1.14 Share-based payments

Equity-settled share-based payment transactions with employees

The services received in an equity-settled share-based payment transaction with employees are measured at the fair value of the equity instruments granted. The fair value of the equity instruments is measured at the grant date and is not subsequently remeasured.

If the equity instruments granted vest immediately and an employee is not required to complete a specified period of service before becoming unconditionally entitled to the instruments, the services received are recognised in profit or loss for the period in full on the grant date with a corresponding increase in equity.

Where the equity instruments do not vest until the employee has completed a specified period of service, it is assumed that the services rendered by the employee, as consideration for the equity instruments, will be received in the future during the vesting period. The services are accounted for in profit or loss in the statement of comprehensive income as they are rendered during the vesting period, with a corresponding increase in equity. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service and non-market performance vesting conditions are expected to be met such that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related-service and non-market performance conditions at the vesting date. Where the equity instruments are no longer outstanding, the accumulated share-based payment reserve in respect of those equity instruments is transferred to retained earnings.

Cash-settled share-based payment transactions with employees

The cost of cash-settled transactions is measured initially at fair value at the grant date. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date with changes in fair value recognised in the statements of comprehensive income as staff costs.

Measurement of fair value of equity instruments granted

The equity instruments granted by the group are measured at fair value at the measurement date using standard-option pricing-valuation models. The valuation technique is consistent with generally acceptable valuation methodologies for pricing financial instruments and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments. Vesting conditions, other than market conditions, are not taken into account in determining fair value. Vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount.

Share-based payment transactions with persons or entities other than employees

Transactions in which equity instruments are issued to historically disadvantaged individuals and organisations in SA for less than fair value are accounted for as share-based payments. Where the group has issued such instruments and expects to receive services in return for equity instruments, the share-based payments charge is spread over the related vesting (ie service) period. In instances where such services could not be identified the cost has been expensed with immediate effect. The valuation techniques are consistent with those mentioned above.

1.15 Share capital

Ordinary share capital, preference share capital or any financial instrument issued by the group is classified as equity when:

- payment of cash, in the form of a dividend or redemption, is at the discretion of the group;
- the instrument does not provide for the exchange of financial instruments under conditions that are potentially unfavourable to the group;
- settlement in the group's own equity instruments is for a fixed number of equity instruments at a fixed price; and
- the instrument represents a residual interest in the assets of the group after deducting all its liabilities.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.15 Share capital (continued)

Consideration paid or received for equity instruments is recognised directly in equity. Equity instruments are initially measured at the proceeds received, less incremental directly attributable issue costs, net of any related income tax benefits. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's equity instruments.

When the group issues a compound instrument, ie an instrument that contains a liability and an equity component, the fair value of the liability component is calculated first and the equity component is treated as a residual. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

Distributions to holders of equity instruments are recognised as distributions in the statement of changes in equity in the period in which they are payable. Dividends for the year that are declared after the reporting date are disclosed in the notes to the financial statements.

1.16 Treasury shares

When the group acquires its own share capital, the amount of the consideration paid, including directly attributable costs, net of any related tax benefit, is recognised as a change in equity. Shares repurchased by the issuing entity are cancelled. Shares repurchased by group entities are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued and weighted-average number of shares and the cost price of the shares is presented as a deduction from total equity. The par value of the shares is presented as a deduction from ordinary share capital and the remainder of the cost is presented as a deduction from ordinary share premium. Dividends received on treasury shares are eliminated on consolidation.

1.17 Investment contracts

Investment-contract liabilities

Liabilities for unit-linked and market-linked contracts are reported at fair value. For unit-linked contracts the fair value is calculated as the account value of the units, ie the number of units held multiplied by the bid-price value of the assets in the underlying fund (adjusted for taxation). For market-linked contracts the fair value of the liability is determined with reference to the fair value of the underlying assets. This fair value is calculated in accordance with the financial soundness valuation basis, except that negative rand reserves arising from the capitalisation of future margins are not permitted. The fair value of the liability, at a minimum, reflects the initial deposit of the client, which is repayable on demand.

Investment-contract liabilities (other than unit-linked and market-linked contracts) are measured at amortised cost.

Embedded derivatives included in investment contracts are separated out and measured at fair value. The host contract liability is measured on an amortised-cost basis.

Revenue on investment management contracts

Fees charged for investment management services in conjunction with investment management contracts are recognised as revenue as the services are provided. Initial fees that exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over the projected period over which services will be provided.

Contribution income relating to investment contracts

Contribution income includes lump sums received in respect of linked businesses with retirement funds and are accounted for when due. The contribution income is set off directly against the liability under investment contracts.

Benefits relating to investment contracts

Policyholder benefits are accounted for when claims are intimated directly against the liability under investment contracts.

1.18 Insurance contracts

Contracts under which the scheme accepts insurance risk from another party by agreeing to compensate such party or other beneficiaries if a specified uncertain future event adversely affects the party or other beneficiaries are classified as insurance contracts.

Policy liabilities

The policy liabilities under unmatured policies, including unintimated claims, are computed at the reporting date by PC Falconer, the statutory actuary, according to the financial-soundness valuation method as set out in the guidelines issued by the Actuarial Society of SA in Professional Guidance Note (PGN) 104. Claims intimated but not paid, are provided for. The actuarial statement of financial position is included as a separate item in the group's annual financial statements. The group performs a liability adequacy test on its liabilities in line with IFRS 4 Insurance Contracts.

Linked products

Linked products are investment-related products where the risk and reward of the underlying investment portfolio accrues to the policyholder. Linked products, which provide for returns based on the change in the value of the underlying instruments and market indicators, are initially recorded at cost. These products are revalued at year-end using discounted-cashflow analysis, closing market values and index values based on the observation dates stated in the underlying investment agreements. Valuations are adjusted for the effects of changes in foreign exchange rates. Actuarial liabilities of these linked products are stated at the same value as the underlying investments.

1.19 Leases

The group as lessee

Leases in respect of which the group bears substantially all risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the lease property and the present value of the minimum lease payments. Directly attributable costs, such as commission paid, incurred by the group are added to the carrying amount of the asset. Each lease payment is allocated between the liability and finance charges to achieve a constant periodic rate of interest on the balance outstanding. Contingent rentals are expensed in the period they are incurred. The depreciation policy for leased assets is consistent with that of depreciable assets owned. If the group does not have reasonable certainty that it will obtain ownership of the leased asset by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Leases that are not classified as finance leases are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are recognised in profit or loss on a straight-line basis over the term of the lease. When another systematic basis is more representative of the time pattern of the user's benefit, then that method is used.

The group as lessor

Where assets are leased out under a finance lease arrangement, the present value of the lease payments is recognised as a receivable and included under loans and advances in the statement of financial position. Initial direct costs are included in the initial measurement of the receivable. The difference between the gross receivable and unearned finance income is recognised under loans and advances in the statement of financial position. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Assets leased out under operating leases are included under property and equipment in the statement of financial position. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income. Leased assets are depreciated over their expected useful lives on a basis consistent with similar assets. Rental income, net of any incentives given to lessees, is recognised on a straight-line basis over the term of the lease. When another systematic basis is more representative of the time pattern of the user's benefit, then that method is used.

Recognition of lease of land

Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets.

However, when a single lease covers both land and a building, the minimum lease payments at the inception of the lease (including any upfront payments) are allocated between the land and the building in proportion to the relative fair values of the respective leasehold interests. Any upfront premium allocated to the land element that is normally classified as an operating lease represents prepaid lease payments. These payments are amortised over the lease term in accordance with the time pattern of benefits provided. If the lease payments cannot be allocated reliably between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases.

1.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets are capitalised as part of the costs of these assets. Qualifying assets are assets that necessarily take a substantial period of time to prepare for their intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

All other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs capitalised are disclosed in the notes by asset category and are calculated at the group's average funding cost, except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

1.21 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the group will comply with the conditions attached to them. Grants that compensate the group for expenses or losses already incurred or for purposes of giving immediate financial support to the entity with no future-related costs are recognised as income in the period it becomes receivable. Grants that compensate the group for expenses to be incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses will be incurred. Grants that compensate the group for the cost of an asset are recognised in profit or loss as revenue on a systematic basis over the useful life of the asset.

1.22 Client loyalty

When a cardholder makes a purchase that is regarded as eligible spend, the person/company will be granted points that can be redeemed at a later date for goods or services. Points do not expire, unless a client is delinquent or dormant, in which case the points accrued are forfeited as stated in the terms and conditions.

The fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. The award credits are recognised as deferred revenue until the entity fulfils its obligations to deliver awards to customers.

The consideration allocated to the award credits will be measured by reference to the fair value thereof, ie the amount for which the award credits could be sold separately and the expected manner by which the points will be utilised. Adjustments are made for the expected utilisation and non-utilisation of the points awarded.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.23 Revenue and expenditure

Interest income and expense

Interest income and expense are recognised in profit or loss using the effective-interest method taking into account the expected timing and amount of cashflows. The effective-interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing financial instrument and its amount at maturity calculated on an effective-interest-rate basis.

Non-interest revenue

- Fees and commissions

  The group earns fees and commissions from a range of services it provides to clients and these are accounted for as follows:
  - Income earned on the execution of a significant act is recognised when the significant act has been performed.
  - Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service.
  - Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income.

- Dividend income

  Dividend income is recognised when the right to receive payment is established on the ex dividend date for equity instruments and is included in dividend income under non-interest revenue.

- Net trading income

  Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with the related interest, expense, costs and dividends. Interest earned while holding trading securities and interest incurred on trading liabilities are reported within non-interest revenue.

- Income from investment contracts

  Refer to 1.17 for non-interest revenue arising on investment management contracts.

- Other

  Exchange and securities trading income, from investments and net gains on the sale of investment banking assets, is recognised in profit or loss when the amount of revenue from the transaction or service can be measured reliably, it is probable that the economic benefits of the transaction or service will flow to the group and the costs associated with the transaction or service can be measured reliably.

Fair-value gains or losses on financial instruments at fair value through profit or loss, including derivatives, are included in non-interest revenue. These fair-value gains or losses are determined after deducting the interest component, which is recognised separately in interest income and expense.

Gains or losses on derecognition of any financial assets or financial liabilities are included in non-interest revenue.

1.24 Segmental reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues, the operating results of which component are regularly reviewed by the group's chief operating decisionmakers to make decisions about resources to be allocated and to assess its performance, and for which financial information is available.

The group's identification of its segments and the measurement of segment results are based on the group's internal reporting to management. The segments have been identified according to the nature of their respective products and services and their related target markets, the detail of which can be found in the segmental reporting section.

The segments identified are complemented by the Centre, which provides support in the areas of finance, human resources, governance and compliance, risk management and information technology. Additional information relating to major clients and other performance measures is provided.

The group accounts for intersegment revenues and transfers as if the transactions were with third parties at current market prices.

1.25 Cash and cash equivalents

Cash and cash equivalents comprise balances with a maturity of less than 90 days from the date of acquisition, including cash and balances with central banks that are not mandatory, other eligible bills and amounts due from other banks.

2 STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued and not yet effective

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was issued in its entirety in July 2014. The final version of the standard incorporates amendments to the classification and measurement guidance as well as the accounting requirements for the impairment of financial assets measured at amortised cost. These elements of the final standard are discussed in detail below:

- Financial assets are to be classified and measured based on the business model for managing the financial asset and the cashflow characteristics of the financial asset. There are two measurement approaches, namely fair value and amortised cost. The financial asset is carried at amortised cost if it is the business model of the entity to hold that asset for the purpose of collecting contractual cashflows and if those cashflows comprise principal repayments and interest.
- For financial liabilities designated as at fair value through profit or loss a further requirement is that all changes in the fair value of financial liabilities attributable to credit risk be transferred to other comprehensive income with no recycling through profit or loss on disposal.
- Impairments in terms of IFRS 9 will be determined based on an expected-loss model that considers the significant changes to the asset's credit risk and the expected loss that will arise in the event of default.
- IFRS 9 allows financial liabilities not held for trading to be measured at either amortised cost or fair value. If fair value is elected, then changes in the fair value as a result of changes in own credit risk should be recognised in other comprehensive income.
- The hedge accounting requirements under IFRS 9 are closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Hedge effectiveness will now be proved based on management's risk management objectives rather than the 80% to 125% band that was previously stipulated. IFRS 9 also allows for rebalancing of the hedge and the deferral of hedging costs.

The group has initiated a process to determine the impact of the standard on the group's statement of financial position and performance. Until the process has been completed the group is unable to quantify the expected impact.

The standard is effective for financial years commencing on or after 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a client (with limited exceptions), regardless of the type of revenue transaction or the industry.

The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not outputs of the entity's ordinary activities (eg the sale of property, plant and equipment or intangibles).

Extensive disclosures will be required, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgements and estimates.

The standard is effective for financial years commencing on or after 1 January 2017.

The group has initiated a process to determine the impact of the standard on the group's statement of financial position and performance. Until the process has been completed the group is unable to quantify the expected impact.

Amendment to IAS 19 Employee Benefits: Defined Benefit Plans – Employee Contributions

The amendment applies to contributions from employees or third parties and simplifies the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

The amendment is effective for the group for the financial year commencing 1 January 2015. The group is evaluating the impact of this standard on the group financial statements.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendments to IAS 16 and IAS 38 are to clarify the basis for the calculation of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.

The amendments prohibit the use of revenue-based depreciation for property, plant and equipment and significantly limit the use of revenue-based amortisation for intangible assets. As a result the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective for the group for the financial year commencing 1 January 2016 and are not expected to have an effect on the group's financial statements.

Amendment to IFRS 11 Joint Arrangements on Acquisition of an Interest in a Joint Operation

This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendment specifies the appropriate accounting treatment for such acquisitions.

The amendment is effective for the group for the financial year commencing 1 January 2016 and is not expected to have an effect on the group's financial statements.

Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Regarding Bearer Plants

These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. The International Accounting Standards Board (IASB) decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include bearer plants in the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

The amendments are effective for the group for the financial year commencing 1 January 2016 and are not expected to have an effect on the group's financial statements.

2 STANDARDS AND INTERPRETATIONS (continued)

2.1 Standards and interpretations issued and not yet effective (continued)

IFRS 14 Regulatory Deferral Accounts

The standard IFRS 14 Regulatory Deferral Accounts permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous Generally Accepted Accounting Practices (GAAP) requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

The standard is effective for the group for the financial year commencing 1 January 2016 and is not expected to have an effect on the group's financial statements.

Amendments to IAS 27 Separate Financial Statements on the equity method

These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The amendments are effective for the group for the financial year commencing 1 January 2016 and are not expected to have a significant effect on the group's financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 for dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The amendments are effective for the group for the financial year commencing 1 January 2016 and are not expected to have an effect on the group's financial statements.

IASB Annual Improvement Project

The IASB issued annual improvements to IFRS cycles 2010 to 2012 and 2011 to 2013, and for 2014.

The improvements focus on areas of inconsistency in IFRSs or where clarification of wording is required. As a consequence, the improvements are either clarifying or correcting in nature, and do not propose new principles or changes to existing ones.

The amendments are effective for the group for the financial year commencing 1 January 2015 and are not expected to have a material impact on the group's financial statements.

2.2 Standards and interpretations adopted in the current year

The following standards and interpretations, or amendments thereto, effective for the financial year-end commencing 1 January 2014, have been adopted by the group:

IFRIC 21 Levies

International Financial Reporting Interpreting Committee (IFRIC) 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and considers how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements.

IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The amendment did not have a material effect on the group's financial statements.

Revised standards

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for that investment entity. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement in its consolidated and separate financial statements.

The amendments also introduce new disclosure requirements for investment entities in IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements.

The amendments did not have an effect on the group's financial statements.

Amendment to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

The amendment to IAS 32 clarifies offsetting by explaining:

- when an entity currently has a legally enforceable right of setoff; and
- when gross settlement is equivalent to net settlement.

The adoption of the amendment did not have an impact on the group's financial statements.

Amendment to IAS 36 Impairment of Assets Recoverable Amounts Disclosures for Non-financial Assets

The amendment removes certain disclosures required in respect of the recoverable amount of declined-value cash-generating units, which had previously been included in IAS 36 by the issue of IFRS 13 Fair value Measurement.

The amendment did not have a material effect on the group's financial statements.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement

The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. The amendment covers novations in the following circumstances:

- as a consequence of laws or regulations, or the introduction of laws or regulations;
- where the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and
- where it did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception.

The amendment did not have an effect on the group's financial statements.

3 KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

The group's accounting policies are set out in note 1 of the annual financial statements. Certain of these policies, as well as estimates made by management, are considered to be important to an understanding of the group's financial condition since they require management to make difficult, complex or subjective judgements and estimates, some of which may relate to matters that are inherently uncertain. The following accounting policies include estimates that are particularly sensitive in terms of judgements and the extent to which estimates are used. Other accounting policies involve significant amounts of judgements and estimates, but the total amounts involved are not significant to the financial statements. Management has agreed the accounting policies and critical accounting estimates with the board and Nedbank Group Audit Committee.

3.1 Allowances for loan impairment and other credit risk provisions

Allowances for loan impairment represent management's estimate of the losses incurred in the loan portfolios at the reporting date.

The group assesses its loan portfolios for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cashflows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing loans is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These include early arrears and other indicators of potential default, such as changes in macroeconomic conditions and legislation affecting credit recovery. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Within the Nedbank Retail, Nedbank Wealth and Nedbank Business Banking portfolios, which comprise large numbers of small homogeneous assets with similar risk characteristics where credit-scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on the portfolio, based on historical recovery rates and assumed emergence periods. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios. There are many such models in use, each tailored to a product, line of business or client category.

Judgement and knowledge are needed in selecting the statistical methods to be used when the models are developed or revised. The impairment allowance reflected in the financial statements for these portfolios is therefore considered to be reasonable and supportable.

For larger exposures impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cashflows are taken into account, for example the business prospects for the client, the realisable value of collateral, the group's position relative to other claimants, the reliability of client information and the likely cost and duration of the workout process. The level of the impairment allowance is the difference between the value of the discounted expected future cashflows (discounted at the loan's original effective interest rate) and its carrying amount. Subjective judgements are made in the calculation of future cashflows. Furthermore, judgements change with time as new information becomes available or as workout strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairments charge.

3.2 Fair value of financial instruments

Certain of the group's financial instruments are carried at fair value through profit or loss, such as those held for trading, designated by management under the fair value option and non-cashflow hedging derivatives.

Other non-derivative financial assets may be designated as available for sale. Available-for-sale financial investments are initially recognised at fair value and are subsequently held at fair value. Gains and losses arising from changes in fair value of such assets are included as a separate component of other comprehensive income and presented in equity.

The fair value of a financial instrument is the amount that would be received to sell the asset or paid to transfer the liability in an orderly transaction at the measurement date between knowledgeable, willing parties, other than in a forced or liquidation sale. Financial instruments entered into as trading transactions, together with any associated hedging, are measured at fair value and the resultant profits and losses are included in net trading income, along with interest and dividends arising from long and short positions and funding costs relating to trading activities. Assets and liabilities resulting from gains and losses on financial instruments held for trading are reported gross in trading portfolio assets and liabilities or derivative financial instruments, reduced by the effects of netting agreements where there is an intention to settle net with counterparties.

3 KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION (continued)

3.2 Fair value of financial instruments (continued)

Details of the processes, procedures and assumptions used in the determination of fair value are discussed in note 35.1 to the financial statements. In particular, the areas that involve the greatest amount of judgement and complexity include the following:

- assessing whether instruments are trading with sufficient frequency and volume, that they can be considered liquid;
- the inclusion of a measure of the counterparties non-performance risk in the fair value measurement of loans and advances, which involves the modelling of dynamic credit spreads;
- the inclusion of credit valuation adjustment (CVA) and debit valuation adjustment (DVA) in the fair value measurement of derivative instruments, with particular emphasis on DVA; and
- the inclusion of own-credit risk in the calculation of the fair value of financial liabilities.

These concepts are continuously developing and evolving within the context of the SA market and therefore changes in these assumptions will arise as the market develops.

3.3 Derecognition, securitisations and structured entities

The group enters into transactions that may result in the derecognition of certain financial instruments. Judgement is applied as to whether these financial instruments are derecognised from the group's statement of financial position.

The group sponsors the formation of structured entities primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions, for asset financing and for buying or selling credit protection. The group consolidates structured entities it controls in terms of IFRS guidance. Where it is difficult to determine whether the group controls a structured entity, the group makes judgements, in terms of IFRS guidance, about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the structured entity in question. In arriving at judgements, these factors are considered both jointly and separately. Further information in respect of those securitisations, consolidated into the group financial statements, can be found in note 43 to the financial statements.

3.4 Goodwill

Management considers at least annually whether the current carrying value of goodwill is to be impaired. The first step of the impairment review process requires the identification of independent CGUs by segmenting the group business into as many largely independent income streams as is reasonably practicable. The goodwill is then allocated to these independent units. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the unit, including the allocated goodwill, is compared with its fair value or value in use to determine whether any impairment exists. If the recoverable amount of a unit is less than its carrying value, goodwill will be impaired.

Detailed calculations may need to be carried out, taking into consideration changes in the market in which a business operates (eg competitive activity and regulatory change). In the absence of readily available market-price data this calculation is based on discounting expected pretax cashflows at a risk-adjusted interest rate appropriate to the operating unit, the determination of both of which requires the exercise of judgement. The estimation of pretax cashflows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding the long-term sustainable cashflows. While forecasts are compared with actual performance and external economic data, expected cashflows naturally reflect management's view of future performance.

The most significant amount of goodwill relates to Nedbank Limited. The goodwill impairment testing performed in 2014 indicated that none of the goodwill was impaired in the year under review. Management believes that reasonable changes in key assumptions used to determine the recoverable amount of Nedbank Limited's goodwill would not result in impairment.

Further information in respect of goodwill recognised in the statement of financial position can be found in note 28 to the financial statements.

3.5 Intangible assets

An internally generated intangible asset, specifically internally developed software generated during the development phase, is recognised as an asset if certain conditions are met. These conditions include technical feasibility, intention to complete the development, ability to use the asset under development and demonstration of how the asset will generate probable future economic benefits.

The cost of a recognised internally generated intangible asset comprises all costs directly attributable to making the asset capable of being used as intended by management. Conversely, all expenditures arising during the research phase are expensed as incurred.

The decision to recognise internally generated intangible assets requires significant judgement, particularly in the following areas:

- evaluation of whether or not activities should be considered research activities or development activities;
- assumptions about future market conditions, client demand and other developments;
- assessment of whether completing an asset is technically feasible. The term 'technical feasibility' is not defined in the accounting standards, and therefore requires a group-specific and necessarily judgemental approach;
- evaluation of the future ability to use or sell the intangible asset arising from the development and the assessment of probability of future benefits from sale or use; and
- evaluation of whether or not a cost is directly or indirectly attributable to an intangible asset and whether or not a cost is necessary for completing a development.

All intangible assets of the group have finite useful lives. Consequently, the depreciable amount of the intangible assets is allocated on a systematic basis over their useful lives. Judgement is applied to the following:

- determining the useful life of an intangible asset, based on estimates regarding the period over which the intangible asset is expected to produce economic benefits to the group; and
- determining the appropriate amortisation method. Accounting standards require that the straight-line method be used, unless management can reliably determine the pattern in which the future economic benefits of the asset are expected to be consumed by the group.

Both the amortisation period and the amortisation method have an impact on the amortisation expenses recorded in each period.

In making impairment assessments for the group's intangible assets, management uses certain complex assumptions and estimates about future cashflows, which require significant judgement and assumptions about future developments. These assumptions are affected by various factors, including changes in the group's business strategy, internal forecasts and estimation of the group's weighted average cost of capital. Due to these factors, actual cashflows and values could vary significantly from the forecast future cashflows and related values derived using the discounted-cashflow method.

Further information in respect of intangible assets recognised in the statement of financial position can be found in note 28.

3.6 Employee benefits

The group provides pension plans for employees in most parts of the world. Arrangements for staff retirement benefits vary from country to country and are made in accordance with local regulations and customs.

For defined-benefit schemes, including postretirement medical aid schemes, actuarial valuation of each of the scheme's obligations using the projected-unit credit method and the fair valuation of each of the scheme's assets are performed annually in accordance with the requirements of IAS 19.

The actuarial valuation is dependent on a series of assumptions, the key ones being interest rates, mortality, investment returns and inflation. Mortality estimates are based on standard industry and national mortality tables, adjusted where appropriate to reflect the group's own experience. The returns on fixed-interest investments are set to market yields at the valuation date (less an allowance for risk) to ensure consistency with the asset valuation. The returns on equities are based on the long-term outlook for global equities at the calculation date, having regard to current market yields and dividend growth expectations.

The inflation assumption reflects long-term expectations of both earnings and retail price inflation. Further information on employee benefit obligations, including assumptions, is set out in note 27 to the annual financial statements.

3.7 Income taxes

The group is subject to direct taxation in a number of jurisdictions in which it operates. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The group recognises liabilities based on objective estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred taxation provisions in the period in which such determination is made through profit and loss for that period.

3.8 Financial risk management

The group's risk management policies and procedures are disclosed in the Worldclass at Managing Risk section. These risk management procedures include, but are not limited to, credit risk, securitisation risk, liquidity risk, interest rate risk in the banking book and market risk.

4 CAPITAL MANAGEMENT

Nedbank Group's Capital Management Framework reflects the integration of risk, capital, strategy and performance measurement across the group and contributes significantly to the Enterprisewide Risk Management Framework (ERMF).

A board-approved Solvency and Capital Management policy requires Nedbank Group to be capitalised at the greater of Basel III regulatory capital and economic capital.

The Group Capital Management division is housed within the Balance Sheet Management cluster that reports to the Chief Operating Officer and is mandated with the implementation of the Capital Management Framework and the Internal Capital Adequacy Assessment Process (ICAAP) across the group. The capital management (incorporating ICAAP) responsibilities of the board and management are incorporated in their respective terms of reference as contained in the ERMF and are assisted by the board's Group Risk and Capital Management Committee, and Group ALCO and Executive Risk Committee (Group ALCO), respectively.

Capital, reserves and long-term debt instruments

The group's capital management framework, policies and processes cover the group's capital and reserves as per the consolidated statement of changes in equity, as well as the long-term debt instruments per note 32.

Further details on the ERMF, capital management and regulatory requirements are disclosed in the Worldclass at Managing Risk section which is unaudited, unless stated otherwise.

5 INTEREST AND SIMILAR INCOME

	2014 Rm	2013 Rm
Home loans (including properties in possession)	**10 333**	9 463
Commercial mortgages	**9 798**	8 108
Finance lease and instalment debtors	**8 807**	7 662
Credit cards	**1 710**	1 473
Overdrafts	**1 204**	1 061
Term loans and other	**12 393**	11 293
Government and other securities	**3 521**	3 531
Interest on government and other securities	**3 521**	3 531
Fair value adjustments on hedged items (refer to note 16.5)	**(3)**	
Fair value adjustments on hedging instruments (refer to note 16.5)	**3**	
Short-term funds and securities	**2 309**	1 516
	50 075	44 107
Interest and similar income may be analysed as follows:		
– Interest and similar income from financial instruments not at fair value through profit and loss	**41 747**	36 459
– Interest and similar income from financial instruments at fair value through profit or loss	**8 328**	7 648
	50 075	44 107

6 INTEREST EXPENSE AND SIMILAR CHARGES

	2014 Rm	2013 Rm
Deposit and loan accounts	**18 203**	14 581
Current and savings accounts	**628**	551
Negotiable certificates of deposit	**4 919**	4 985
Other liabilities	**1 729**	1 401
Long-term debt instruments	**2 843**	2 355
	28 322	23 873
Interest expense and similar charges may be analysed as follows:		
– Interest expense and similar charges from financial instruments not at fair value through profit and loss	**26 183**	19 719
– Interest expense and similar charges from financial instruments at fair value through profit or loss	**2 139**	4 154
	28 322	23 873

An unaudited margin analysis of the interest income and interest expense by asset and liability category is presented as additional financial information in the Nedbank Group Limited integrated report.

7 NON-INTEREST REVENUE

	2014 Rm	2013 Rm
Commission and fee income	**12 591**	12 193
Administration fees	**121**	253
Cash-handling fees	**819**	791
Insurance commission	**613**	604
Exchange commission	**379**	343
Other fees	**921**	929
Guarantee income	**168**	164
Card income	**2 969**	2 735
Service charges	**3 467**	3 577
Other commission	**3 134**	2 797
Insurance income	**284**	289
Fair value adjustments (note 7.1)	**35**	40
Fair value adjustments	**73**	46
Fair value adjustments – own debt	**(38)**	(6)
Net trading income	**2 394**	2 331
Foreign exchange	**1 148**	1 134
Debt securities	**1 194**	1 146
Equities	**27**	28
Commodities	**25**	23
Private-equity income	**411**	224
Securities dealing – realised	**350**	33
Securities dealing – unrealised	**(22)**	33
Dividends received from unlisted investments	**83**	158
Investment income	**51**	51
Dividends received from unlisted investments	**40**	37
Long-term-asset sales	**11**	14
Net sundry income	**430**	338
Rents received	**61**	41
Rental income from properties in possession	**2**	1
Other sundry income	**367**	296
	16 196	15 466

7.1 Analysis of fair value adjustments

	2014 Rm	2013 Rm
Fair value adjustments can be analysed as follows:		
– Held for trading	**146**	2 186
– Designated as at fair value through profit or loss	**(111)**	(2 146)
	35	40

7.2 Government grants

The group receives various government grants, from SA and foreign governments. The government grants take a variety of forms, including interest rate subsidies on loans advanced to clients and payment in respect of previously writtenoff advances in respect of qualifying deceased estates. The government grants that are received by the group are recognised when the conditions of the government grant have been fulfilled and the grant is due to the group.

Certain government assistance is directed towards the group's clients, including grants made to clients as first-time homeowners. Although the group may assist the client in obtaining the grant, these grants do not qualify as government grants as envisaged by the accounting standard.

The group receives certain SA government grants in the form of refunds for Skills Development Levies and they pertain to prior training that has been facilitated by the group on behalf of its employees.

No assistance has been received by the group from any government or government organisation in respect of any troubled asset or financial-crisis-related programme.

8 OPERATING EXPENSES

	2014 Rm	2013 Rm
Staff costs	**12 550**	11 513
Remuneration and other staff costs	**9 971**	9 193
Short-term incentives	**1 945**	1 656
Long-term employee benefits (note 27.2)[2]	**27**	114
Share-based payments expense – employees	**607**	550
BEE transaction expenses[3]	**46**	56
BEE share-based payments expenses	**21**	33
Fees	**25**	23
Computer processing	**2 902**	2 553
Depreciation for computer equipment	**396**	345
Amortisation of computer software	**644**	566
Operating lease charges for computer equipment	**281**	238
Development costs	**169**	184
Other computer-processing expenses	**1 412**	1 220
Communication and travel	**756**	745
Depreciation for vehicles	**4**	3
Other communication and travel	**752**	742
Occupation and accommodation	**1 637**	1 502
Depreciation for owner-occupied land and buildings	**131**	126
Operating lease charges for land and buildings	**718**	646
Other occupation and accommodation expenses	**788**	730
Marketing and public relations	**1 472**	1 391
Fees and assurances	**1 757**	1 627
Auditors' remuneration	**103**	90
Statutory audit – current year	**84**	83
– prior year	**1**	1
Non-audit services – other services	**18**	6
Other fees and assurance costs	**1 654**	1 537
Furniture, office equipment and consumables	**631**	595
Depreciation for furniture and other equipment	**375**	367
Operating lease charge for furniture and other equipment	**7**	6
Other office equipment and consumables	**249**	222
Other operating expenses	**280**	217
Amortisation of intangible assets		[1]
Other sundries	**280**	217
	22 031	20 199

Certain expenses incurred by the company on behalf of subsidiary companies are recovered from subsidiary companies. Refer to the Remuneration Report for a detailed breakdown of directors' and prescribed officers' remuneration.

[1] *Represents amounts less than R1m.*

[2] *Includes contributions to defined-benefit and pension funds and postretirement medical aid funding and any adjustments for defined benefit obligations together with any fair value adjustments of plan assets held. See note 27.*

[3] *See note 49 for a description of the BEE schemes.*

9 INDIRECT TAXATION

	2014 Rm	2013 Rm
Value-added taxation	**396**	379
Other transaction taxes	**126**	101
	522	480

Value-added taxation comprises the VAT incurred that is irrecoverable in respect of the making of exempt supplies as defined in the Value-Added Tax Act, No 89 of 1991.

10 NON-TRADING AND CAPITAL ITEMS

	2014 Rm	2013 Rm
Profit on sale of subsidiaries and investments		5
Impairment of property and equipment, and capitalised development costs	**(96)**	(64)
	(96)	(59)

11 DIRECT TAXATION

11.1 Charge for the year

	2014 Rm	2013 Rm
SA normal taxation:		
– Current charge	**2 785**	2 493
– Capital gains taxation – deferred	**(29)**	(33)
– Deferred taxation	**2**	(178)
Foreign taxation	**85**	66
Current and deferred taxation on income	**2 843**	2 348
Prior-year overprovision/(underprovision) – current taxation	**221**	(135)
Prior-year (underprovision)/overprovision – deferred taxation	**(261)**	102
Total taxation on income	**2 803**	2 315
Taxation on non-headline earnings items	**(17)**	(18)
	2 786	2 297

11.2 Taxation rate reconciliation

	2014 %	2013 %
Standard rate of SA normal taxation	**28,0**	28,0
Non-taxable dividend income	**(2,6)**	(3,2)
Capital items	**0,1**	(0,3)
Other	**0,1**	(0,2)
Effective taxation rate	**25,6**	24,3

11.3 Income tax recognised in other comprehensive income

	Gross	Taxation	Net of taxation
2014			
Exchange differences on translating foreign operations	**14**		**14**
Fair value adjustments on available-for-sale assets	**(113)**		**(113)**
Remeasurements on long-term employee benefit assets	**86**	**(24)**	**62**
Gains on property revaluations	**195**	**(32)**	**163**
2013			
Exchange differences on translating foreign operations	96		96
Fair value adjustments on available-for-sale assets	(109)	1	(108)
Remeasurements on long-term employee benefit assets	1 010	(284)	726
Gains on property revaluations	316	(98)	218

11.4 Future taxation relief

The group has estimated taxation losses of R167,6m (2013: R217,6m) that can be set off against future taxable income, of which R30,9m (2013: R76,8m) has been applied to the deferred taxation balance.

12 EARNINGS

Headline earnings reconciliations	2014		2013	
Rm	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to ordinary and preference equity holders		**7 998**		7 152
Less: Non-trading and capital items	**(96)**	**(79)**	(55)	(37)
Loss on sale of subsidiaries, investments and property and equipment			5	6
Net impairment of investments, property and equipment and capitalised development costs	**(96)**	**(79)**	(64)	(46)
Fair value adjustments of investment properties			4	3
Headline earnings attributable to ordinary and preference equity holders		**8 077**		7 189

13 DIVIDENDS

13.1 Ordinary shares

	Millions of shares	Cents per share	Rm
2014			
Final declared for 2013 – paid 2014	**27**	**9 544**	**2 600**
Interim declared for 2014	**27**	**2 937**[1]	**800**
Ordinary dividends paid 2014		**12 481**	**3 400**
Final ordinary dividend declared for 2014		**8 076**[1]	

[1] *Total dividend declared for 2014 = 11 013 cents per share.*

2013			
Final declared for 2012 – paid 2013	27	7 709	2 100
Interim declared for 2013	27	4 956[2]	1 350
Ordinary dividends paid 2013		12 665	3 450
Final ordinary dividend declared for 2013		9 544[2]	

[2] *Total dividend declared for 2013 = 14 500 cents per share.*

13.2 Preference shares

	Number of shares	Cents per share	Amount Rm
2014			
Nedbank Limited – Final declared for 2013 – paid March 2014	**358 277 491**	**35,70775**	**128**
Nedbank Limited – Interim declared for 2014 – paid September 2014	**358 277 491**	**36,86072**	**132**
			260
Nedbank Limited – Final declared for 2014 – payable March 2015	**358 277 491**	**38,76140**	**139**

Dividends declared calculations	Days	Rate %	Amount Rm
2014			
Nedbank Limited			
1 July 2014 – 31 December 2014	**184**		**138,9**
1 July 2014 – 17 July 2014	**17**	**7,500**	**12,5**
18 July 2014 – 31 December 2014	**167**	**7,708**	**126,4**
Total declared			**138,9**

	Number of shares	Cents per share	Amount Rm
2013			
Nedbank Limited – Final declared for 2012 – paid March 2013	358 277 491	35,82649	128
Nedbank Limited – Interim declared for 2013 – paid August 2013	358 277 491	35,12556	126
			254
Nedbank Limited – Final declared for 2013 – payable March 2014	358 277 491	35,70775	128

Dividends declared calculations	Days	Rate %	Amount Rm
2013			
Nedbank Limited			
1 July 2013 – 31 December 2013	184	7,083	127,9
Total declared			127,9

Dividends paid calculations	Days	Rate %	Amount Rm
2013 (Paid March 2014)			
Nedbank – 1 July 2013 – 31 December 2013	**184**	**7,083**	**127,9**
1 July 2013 – 31 December 2013	**184**	**7,083**	**127,9**
2014 (Paid Sept 2014)			
Nedbank – 1 January 2014 – 30 June 2014	**181**		**132,1**
1 January 2014 – 29 January 2014	**29**	**7,083**	**20,2**
30 January 2014 – 30 June 2014	**152**	**7,500**	**111,9**
Nedbank (MFC) – Participating preference shares			**63,2**
Profit attributable to preference shareholders			**323,2**
2012 (Paid March 2013)			
Nedbank – 1 July 2012 – 31 December 2012	184		128,4
1 July 2012 – 19 July 2012	19	7,500	14,0
20 July 2012 – 31 December 2012	165	7,083	114,4
2013 (Paid September 2013)			
Nedbank – 1 January 2013 – 30 June 2013	181	7,083	125,8
Nedbank (MFC) – Participating preference shares			37,7
Profit attributable to preference shareholders			291,9

14 CASH AND CASH EQUIVALENTS

	2014 Rm	2013 Rm
Coins and bank notes	**6 437**	5 428
Money at call and short notice	**3 890**	11 819
Balances with central banks – other than mandatory reserve deposits	**430**	220
Cash and cash equivalents excluding mandatory reserve deposits with central banks	**10 757**	17 467
Mandatory reserve deposits with central banks	**14 843**	13 199
	25 600	30 666

Money at call and short notice constitutes amounts withdrawable in 32 days or less. Mandatory reserve deposits are not available for use in the group's day-to-day operations. Cash on hand and mandatory reserve deposits are non-interest bearing.

15 OTHER SHORT-TERM SECURITIES

15.1 Analysis

	2014 Rm	2013 Rm
Negotiable certificates of deposit	**7 277**	8 944
Treasury bills and other bonds	**49 045**	26 060
	56 322	35 004

15.2 Sectoral analysis

	2014 Rm	2013 Rm
Banks	**8 410**	10 018
Government and public sector	**47 491**	24 661
Other services	**421**	325
	56 322	35 004

16 DERIVATIVE FINANCIAL INSTRUMENTS

These transactions have been entered into in the normal course of business and are carried at fair value. The principal types of derivative contracts into which the group enters are described below.

- Swaps

  These are over the counter (OTC) agreements between two parties to exchange periodic payments of interest, or payments for the change in value of a commodity, or related index, over a set period based on notional principal amounts. The group enters into swap transactions in several markets. Interest rate swaps exchange fixed rates for floating rates of interest based on notional amounts. Basis swaps exchange floating or fixed interest calculated using different bases. Cross-currency swaps are the exchange of interest based on notional values of different currencies.

- Options

  Options confer the right, but not the obligation, on the buyer to receive or pay a specific quantity of an asset or financial instrument for a specific price on or before a specified date. Options may be exchange-traded or OTC agreements. The group principally buys and sells currency, interest rate and equity options.

- Futures and forwards

  Short-term interest rate futures, bond futures, financial futures, equity and commodity futures and forward foreign exchange contracts are all agreements to deliver, or take delivery of, a specified amount of an asset or financial instrument based on a specified rate, price or index applied against the underlying asset or financial instrument, at a specified date. Futures are exchange-traded at standardised amounts of the underlying asset or financial instrument. Forward contracts are OTC agreements and are principally dealt in by the group, in interest rates as forward rate agreements and in currency as forward foreign exchange contracts.

Collateral

The group may require collateral in respect of the credit risk present in derivative transactions. The amount of credit risk is principally the positive fair value of the contract. Collateral may be in the form of cash or in the form of a lien over a client's assets, entitling the group to make a claim for current and future liabilities.

16.1 Total carrying amount of derivative financial instruments

	2014 Rm	2013 Rm
Gross carrying amount of assets	**15 644**	13 811
Gross carrying amount of liabilities	**(15 479)**	(16 588)
Net carrying amount	**165**	(2 777)

A detailed breakdown of the carrying amount (fair value) and notional principal of the various types of derivative financial instruments held by the group is presented in the following tables in notes 16.2 to 16.5.

16.2 Notional principal of derivative financial instruments

This represents the gross notional amounts of all outstanding contracts at year-end. This gross notional amount is the sum of the absolute amount of all purchases and sales of derivative instruments. The notional amounts do not represent amounts exchanged by the parties and therefore represent only the measure of involvement by the group in derivative contracts and not its exposure to market or credit risks arising from such contracts. The amounts actually exchanged are calculated on the basis of the notional amounts and other terms of the derivative, which relate to interest rates, exchange rates, securities or commodity prices or financial and other indices.

	2014			2013		
	Notional principal Rm	Positive value Rm	Negative value Rm	Notional principal Rm	Positive value Rm	Negative value Rm
Hedging derivatives						
Interest rate derivatives						
Interest rate swaps	275	275				
Other derivatives						
Equity derivatives	8 266	3 317	4 949	9 250	4 141	5 109
Options written	2 541		2 541	2 856		2 856
Options purchased	2 541	2 541		2 860	2 860	
Futures[1]	3 184	776	2 408	3 534	1 281	2 253
Commodity derivatives	1 957	1 173	784	1 285		1 285
Futures	1 957	1 173	784	1 285		1 285
Exchange rate derivatives	303 944	142 695	161 249	181 986	92 979	89 007
Forwards	242 209	115 300	126 909	156 023	81 678	74 345
Futures	1 214	108	1 106	379	336	43
Currency swaps	49 331	22 043	27 288	21 075	8 593	12 482
Options purchased	5 244	5 244		2 329	2 329	
Options written	5 946		5 946	2 180	43	2 137
Interest rate derivatives	682 767	344 379	338 388	757 808	379 037	378 771
Interest rate swaps	515 712	256 677	259 035	469 770	238 133	231 637
Forward rate agreements	121 404	65 300	56 104	242 827	120 100	122 727
Options purchased	–			723	723	
Futures	6 160	1 696	4 464	7 705	1 884	5 821
Caps	2 169	900	1 269	307		307
Floors	650	650		150		150
Credit default swaps	36 672	19 156	17 516	36 326	18 197	18 129
Total notional principal	997 209	491 839	505 370	950 329	476 157	474 172

[1] *Includes contracts for difference with positive notionals of R45m (2013: R342m) and negative notionals of R1 677m (2013: R2 014m).*

16 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

16.3 Carrying amount of derivative financial instruments

The amounts disclosed represent the fair value of all derivative instruments held at year-end. The fair value of a derivative financial instrument is the amount at which it could be exchanged in a current transaction between willing parties, other than a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cashflow models and market-accepted option-pricing models.

	2014			2013		
	Net carrying amount Rm	Carrying amount of assets Rm	Carrying amount of liabilities Rm	Net carrying amount Rm	Carrying amount of assets Rm	Carrying amount of liabilities Rm
Hedging derivatives						
Interest rate derivatives						
Interest rate swaps	2	2				
Other derivatives						
Equity derivatives	8	372	364	390	945	555
Options written	(352)		352	(538)		538
Options purchased	360	360		928	928	
Futures[1]		12	12		17	17
Commodity derivatives	9	10	1	(9)		9
Futures	9	10	1	(9)		9
Exchange rate derivatives	1129	6645	5516	(911)	4 076	4 987
Forwards	1320	3089	1769	5	2 432	2 427
Futures	(3)		3	1	1	
Currency swaps	(263)	3322	3585	(817)	1 443	2 260
Options purchased	234	234		200	200	
Options written	(159)		159	(300)		300
Interest rate derivatives	(983)	8615	9598	(2 247)	8 790	11 037
Interest rate swaps	(1190)	7534	8724	(2 337)	7 505	9 842
Forward rate agreements	19	56	37	14	101	87
Futures	(2)		2	(2)		2
Caps	(8)	4	12	(1)		1
Floors	4	4		2	2	
Credit default swaps	194	1017	823	77	1 182	1 105
Total carrying amount	165	15644	15479	(2 777)	13 811	16 588

[1] *Includes contracts for difference and an equity forward agreement. The fair value of the contracts for difference is zero as the variation margin is settled at the end of every day. The equity forward agreement is an asset with a fair value of R2m (2013: R17m.).*

16.4 Analysis of derivative financial instruments

	Hedging derivatives	Other derivatives				
Rm	Interest rate derivatives	Equity derivatives	Commodity derivatives	Exchange rate derivatives	Interest rate derivatives	Total
Derivative assets						
2014						
Maturity analysis						
Under one year		**260**	**10**	**3 425**	**787**	**4 482**
One to five years	**1**	**112**		**1 932**	**3 154**	**5 199**
Over five years	**1**			**1 288**	**4 674**	**5 963**
	2	**372**	**10**	**6 645**	**8 615**	**15 644**
2013						
Maturity analysis						
Under one year		736		2 328	417	3 481
One to five years		209		1 173	4 026	5 408
Over five years				575	4 347	4 922
		945		4 076	8 790	13 811
Derivative liabilities						
2014						
Maturity analysis						
Under one year		**252**	**1**	**2 385**	**632**	**3 270**
One to five years		**112**		**1 653**	**3 097**	**4 862**
Over five years				**1 478**	**5 869**	**7 347**
		364	**1**	**5 516**	**9 598**	**15 479**
2013						
Maturity analysis						
Under one year		346	9	2 757	533	3 645
One to five years		209		1 013	4 331	5 553
Over five years				1 217	6 173	7 390
		555	9	4 987	11 037	16 588
Notional principal of derivatives						
2014						
Maturity analysis						
Under one year		**6 513**	**1 957**	**257 249**	**224 932**	**490 651**
One to five years	**75**	**1 753**		**28 404**	**255 640**	**285 872**
Over five years	**200**			**18 291**	**202 195**	**220 686**
	275	**8 266**	**1 957**	**303 944**	**682 767**	**997 209**
2013						
Maturity analysis						
Under one year		4 111	1 285	153 865	290 206	449 467
One to five years		2 083		19 067	304 406	325 556
Over five years		3 056		9 054	163 196	175 306
		9 250	1 285	181 986	757 808	950 329

16.5 Derivatives designated as fair-value hedges

As part of the group's hedging activities, it enters into transactions which are designated as fair-value hedge transactions. Cashflow hedges and hedges of net investments in foreign entities do not currently form part of the Group's hedging strategy.

Fair-value hedges are used by the group to mitigate the risk of changes in fair value of financial instruments due to movements in market interest rates. Derivatives that are designated by the group to form part of these fair-value hedge transactions principally consist of interest rate swaps. The corresponding hedged items forming part of these fair-value hedge transactions primarily consist of fixed rate government bonds (refer to note 25).

For qualifying fair-value hedges, all changes in the fair value of the derivative and in the fair value of the hedged item in relation to the risk being hedged are recognised in profit and loss. If the hedge relationship is terminated, the fair-value adjustment to the hedged item continues to be reported as part to the basis of the item and is amortised to profit and loss as a yield adjustment over the remainder of the hedging period.

16 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

16.5 Derivatives designated as fair-value hedges (continued)

The group recognised the following gains and losses on hedging instruments and hedged items:

Rm	2014	2013
Losses on hedged items (assets) (note 5)	(3)	
Gains on hedging instruments (assets) (note 5)	3	
	-	

17 GOVERNMENT AND OTHER SECURITIES

17.1 Analysis

	2014	2013
Government and government-guaranteed securities	13 839	17 324
Other dated securities[1]	12 989	13 955
	26 828	31 279

17.2 Sectoral analysis

	2014	2013
Financial services, insurance and real estate	2 516	2 628
Banks	2 897	3 026
Manufacturing	1 882	2 171
Transport, storage and communication	694	1 082
Government and public sector	17 571	20 487
Other sectors	1 268	1 885
	26 828	31 279

[1] *Includes securitised assets. See note 43.*

18 LOANS AND ADVANCES

The group extends advances to individuals and to the corporate, commercial and public sectors. Advances made to individuals are mostly in the form of mortgages, instalment credit, overdrafts, personal loans and credit card borrowings. The group's main activity is in the corporate and commercial sectors where advances are made to a large cross-section of businesses, predominantly in the finance and service area, manufacturing and building and property finance sectors.

This note should be read in conjunction with note 19 'Impairment of loans and advances', as this represents the gross exposure before any impairment provision. Specific impairments have been raised against those loans identified as impaired, and the analysis per product type can be found in note 19.2. Portfolio impairments are recognised against loans and advances classified as 'neither past due nor impaired' or 'past due but not impaired'.

18.1 Categories of loans and advances

	2014 Rm	2013 Rm
Mortgage loans	**252 098**	234 424
Home loans	**128 889**	128 505
Commercial mortgages	**123 209**	105 919
Net finance lease and instalment debtors (note 18.4)	**92 487**	83 810
Gross investment	**115 877**	104 806
Unearned finance charges	**(23 390)**	(20 996)
Credit cards	**13 376**	11 428
Other loans and advances	**256 316**	247 717
Properties in possession	**596**	773
Overdrafts	**13 214**	12 622
Term loans	**103 820**	95 602
Personal loans	**17 457**	20 419
Other term loans	**86 363**	75 183
Overnight loans	**21 638**	17 926
Other loans to clients	**75 488**	71 306
Foreign client lending	**12 314**	12 255
Remittances in transit	**156**	100
Other loans[1]	**63 018**	58 951
Preference shares and debentures	**17 995**	18 855
Factoring accounts	**4 986**	4 796
Deposits placed under reverse repurchase agreements	**18 291**	25 796
Trade, other bills and bankers' acceptances	**288**	41
	614 277	577 379
Impairment of loans and advances (note 19)	**(10 948)**	(11 332)
	603 329	566 047
Comprises:		
Loans and advances to customers	**594 771**	552 122
Loans and advances to banks	**19 506**	25 257
	614 277	577 379

[1] *Represents clients' indebtedness for acceptances and other loans.*

18.2 Sectoral analysis

	2014 Rm	2013 Rm
Individuals	**219 820**	211 433
Financial services, insurance and real estate	**152 858**	132 394
Banks	**19 506**	25 257
Manufacturing	**40 397**	44 353
Building and property development	**8 878**	7 626
Transport, storage and communication	**23 696**	23 845
Retailers, catering and accommodation	**23 444**	16 686
Wholesale and trade	**17 456**	12 833
Mining and quarrying	**25 009**	27 958
Agriculture, forestry and fishing	**4 283**	4 346
Government and public sector	**21 551**	21 621
Other services	**57 379**	49 027
	614 277	577 379

18.3 Geographical analysis

	2014 Rm	2013 Rm
SA	**579 634**	543 273
Rest of Africa	**10 735**	12 908
Europe	**12 473**	13 114
Asia	**3 754**	1 781
United States	**2 961**	1 226
Other	**4 720**	5 077
	614 277	577 379

18 LOANS AND ADVANCES (continued)

18.4 Net finance lease and instalment debtors

Rm	2014			2013		
	Gross	Unearned finance charges	Net	Gross	Unearned finance charges	Net
No later than one year	**29 912**	**(5 977)**	**23 935**	27 712	(5 520)	22 192
Later than one year and no later than five years	**80 762**	**(16 350)**	**64 412**	72 451	(14 533)	57 918
Later than five years	**5 203**	**(1 063)**	**4 140**	4 643	(943)	3 700
	115 877	**(23 390)**	**92 487**	104 806	(20 996)	83 810

18.5 Classification of loans and advances

Rm	Total		Neither past due nor impaired		Past due but not impaired		Defaulted	
	2014	2013	2014	2013	2014	2013	2014	2013
Mortgage loans[1]	**252 098**	234 424	**235 721**	216 945	**8 870**	8 911	**7 507**	8 568
Net finance lease and instalment debtors[1]	**92 487**	83 810	**84 624**	76 567	**5 530**	4 829	**2 333**	2 414
Credit cards	**13 376**	11 428	**11 394**	9 744	**1 080**	856	**902**	828
Properties in possession	**596**	773					**596**	773
Overdrafts	**13 214**	12 622	**12 058**	11 084	**505**	675	**651**	863
Term loans	**103 820**	95 602	**98 679**	89 611	**1 962**	2 504	**3 179**	3 487
Overnight loans	**21 638**	17 926	**21 638**	17 920		6		
Other loans to clients[1]	**75 488**	71 306	**74 878**	70 501	**219**	161	**391**	644
Preference shares and debentures	**17 995**	18 855	**17 995**	18 855				
Factoring accounts	**4 986**	4 796	**4 574**	4 492	**298**	204	**114**	100
Deposits placed under reverse repurchase agreements	**18 291**	25 796	**18 291**	25 796				
Trade, other bills and bankers' acceptances	**288**	41	**288**	41				
	614 277	577 379	**580 140**	541 556	**18 464**	18 146	**15 673**	17 677
Loans and advances defaulted – not impaired							**345**	436
Loans and advances defaulted – impaired[1]							**15 328**	17 241
							15 673	17 677

[1] *2013 comparatives have been restated due to reclassifications of restructures in MFC as defaulted advances.*

18.6 Age analysis of loans and advances

Rm	Total 2014	Total 2013	<1 month 2014	<1 month 2013	>1 month <3 months 2014	>1 month <3 months 2013	>3 months <6 months 2014	>3 months <6 months 2013	>6 months <12 months 2014	>6 months <12 months 2013	>12 months 2014	>12 months 2013
Neither past due nor impaired	**580 140**	541 556	**580 140**	541 556								
Mortgage loans	**235 721**	216 945	**235 721**	216 945								
Net finance lease and instalment debtors	**84 624**	76 567	**84 624**	76 567								
Credit cards	**11 394**	9 744	**11 394**	9 744								
Overdrafts	**12 058**	11 084	**12 058**	11 084								
Term loans	**98 679**	89 611	**98 679**	89 611								
Overnight loans	**21 638**	17 920	**21 638**	17 920								
Other loans to clients	**74 878**	70 501	**74 878**	70 501								
Preference shares and debentures	**17 995**	18 855	**17 995**	18 855								
Factoring accounts	**4 574**	4 492	**4 574**	4 492								
Deposits placed under reverse repurchase agreements	**18 291**	25 796	**18 291**	25 796								
Trade, other bills and bankers' acceptances	**288**	41	**288**	41								
Past due but not impaired	**18 464**	18 146	**10 558**	10 366	**7 866**	7 665	**40**	115				
Mortgage loans	**8 870**	8 911	**5 670**	5 740	**3 178**	3 160	**22**	11				
Net finance lease and instalment debtors	**5 530**	4 829	**2 311**	2 532	**3 214**	2 291	**5**	6				
Credit cards	**1 080**	856	**739**	81	**341**	679		96				
Overdrafts	**505**	675	**434**	630	**58**	43	**13**	2				
Term loans	**1 962**	2 504	**890**	1 040	**1 072**	1 464						
Overnight loans	**-**	6		6								
Other loans to clients[1]	**219**	161	**216**	133	**3**	28						
Factoring accounts	**298**	204	**298**	204								
Subtotal	**598 604**	559 702	**590 698**	551 922	**7 866**	7 665	**40**	115	**-**	-	**-**	-
Defaulted	**15 673**	17 677										
Mortgage loans[1]	**7 507**	8 568										
Net finance lease and instalment debtors[1]	**2 333**	2 414										
Credit cards	**902**	828										
Properties in possession	**596**	773										
Overdrafts	**651**	863										
Term loans	**3 179**	3 487										
Other loans to clients[1]	**391**	644										
Factoring accounts	**114**	100										
Total loans and advances	**614 277**	577 379										

[1] *2013 comparatives have been restated due to reclassifications of restructures in MFC as defaulted advances.*

18 LOANS AND ADVANCES (continued)

18.7 Credit quality of loans and advances

	Total		NGR 1-12		NGR 13-20		NGR 21-25		NP 1-3		Unrated	
Rm	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Neither past due nor impaired	580 140	541 556	220 377	203 057	309 817	291 713	22 614	19 667	–	–	27 332	27 119
Mortgage loans	235 721	216 945	57 518	49 959	165 436	152 722	8 839	6 887			3 928	7 377
Net finance lease and instalment debtors	84 624	76 567	4 344	4 958	72 674	65 945	6 929	4 902			677	762
Credit cards	11 394	9 744	1 099	1 328	8 714	6 824	1 581	1 592				
Overdrafts	12 058	11 084	3 314	3 278	8 256	7 327	247	249			241	230
Term loans	98 679	89 611	73 127	59 199	20 427	24 469	4 787	5 679			338	264
Overnight loans	21 638	17 920	16 834	13 815	4 800	3 918	4	187				
Other loans to clients	74 878	70 501	35 243	32 921	19 896	19 049	227	171			19 512	18 360
Preference shares and debentures	17 995	18 855	11 401	15 828	3 958	2 901					2 636	126
Factoring accounts	4 574	4 492	143	281	4 431	4 211						
Deposits placed under reverse repurchase agreements	18 291	25 796	17 354	21 452	937	4 344						
Trade, other bills and bankers' acceptances	288	41		38	288	3						
Past due but not impaired	18 464	18 146	2	1	2 672	3 192	15 647	14 638	26	100	117	215
Mortgage loans[1]	8 870	8 911	2	1	1 467	1 244	7 363	7 530	2	11	36	125
Net finance lease and instalment debtors[1]	5 530	4 829			726	1 110	4 760	3 678	9	1	35	40
Credit cards	1 080	856			230	168	835	676	15	12		
Overdrafts	505	675			26	195	479	471		9		
Term loans	1 962	2 504			222	474	1 720	1 946		67	20	17
Overnight loans	–	6						6				
Other loans to clients[1]	219	161			1	1	192	127			26	33
Factoring accounts	298	204					298	204				
Defaulted	15 673	17 677					34		13 937	16 283	1 702	1 394
Mortgage loans[1]	7 507	8 568							7 103	8 028	404	540
Net finance lease and instalment debtors[1]	2 333	2 414							2 295	2 353	38	61
Credit cards	902	828							902	828		
Properties in possession	596	773									596	773
Overdrafts	651	863							644	856	7	7
Term loans	3 179	3 487							2 546	3 483	633	4
Other loans to clients[1]	391	644					34		333	635	24	9
Factoring accounts	114	100							114	100		
Total loans and advances	614 277	577 379	220 379	203 058	312 489	294 905	38 295	34 305	13 963	16 383	29 151	28 728

[1] *2013 comparatives have been restated due to reclassifications of restructures in MFC as defaulted advances.*

The group uses a master rating scale for measuring credit risk, which measures borrower risk excluding the effect of collateral and any credit mitigation (ie probability of default only). The comprehensive probability of default rating scale, which is mapped to default probabilities and external rating agency scales, enables the group to measure credit risk consistently and accurately across its entire portfolio. A brief explanation of the scale follows:

NGR 1-12: Represents borrowers who demonstrate a strong capacity to meet financial obligations, and who have a negligible or low probability of default. This category comprises, but is not limited to, the group's large corporate clients, including financial institutions, parastatals and other government-related institutions.

NGR 13-20: Represents borrowers who demonstrate a satisfactory ability to make payments and who have a low or moderate probability of default. This category comprises, but is not limited to, small and medium businesses, medium-sized corporate clients and individuals.

NGR 21-25: Represents borrowers who are of higher risk. This category comprises higher-risk individuals or small businesses, as well as borrowers that were rated higher on inception but have since migrated down the rating scale as a result of poor financial performance. However, the borrower has not defaulted and is continuing to make repayments.

NP 1-3: Represents clients who have defaulted. Where this rating appears in the 'past due but not impaired' category, the borrowers are continuing to make repayments against their obligation and are being closely monitored.

19 IMPAIRMENT OF LOANS AND ADVANCES

19.1 Impairment of loans and advances

	Total impairments		Specific impairments		Portfolio impairments	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Balance at the beginning of the year	**11 332**	10 778	**7 476**	7 397	**3 856**	3 381
Impairments charge	**5 407**	6 407	**5 059**	5 940	**348**	467
Statement of comprehensive income charge net of recoveries:	**4 478**	5 529	**4 130**	5 062	**348**	467
– Loans and advances[1]	**4 476**	5 503	**4 128**	5 036	**348**	467
– Advances designated as at fair value through profit or loss (see note 36.1)	**2**	26	**2**	26		
Recoveries	**929**	878	**929**	878		
Amounts written off against the impairment/ Other transfers	**(5 791)**	(5 853)	**(5 777)**	(5 861)	**(14)**	8
Impairment of loans and advances	**10 948**	11 332	**6 758**	7 476	**4 190**	3 856

[1] *2013 comparatives have been restated due to reclassifications of restructures in MFC as defaulted advances.*

19.2 Impairments of loans and advances by classification

	Balance at the beginning of the year Rm	Impairments charge/(release) Rm	Amounts written off against the impairments/ other transfers Rm	Total Rm
Total impairments – 2014				
Home loans	**2 861**	**253**	**(674)**	**2 440**
Commercial mortgages	**785**	**304**	**(181)**	**908**
Properties in possession	**18**	**19**	**15**	**52**
Credit cards	**888**	**800**	**(702)**	**986**
Overdrafts	**492**	**180**	**(236)**	**436**
Other loans to clients	**3 739**	**2 786**	**(2 743)**	**3 782**
Net finance lease and instalment debtors	**2 549**	**1 065**	**(1 271)**	**2 343**
Preference shares and debentures	**(1)**		**1**	
Trade, other bills and bankers' acceptances	**1**			**1**
Impairment of loans and advances	**11 332**	**5 407**	**(5 791)**	**10 948**
Total impairments – 2013				
Home loans	3 278	529	(946)	2 861
Commercial mortgages	854	337	(406)	785
Properties in possession	23	(7)	2	18
Credit cards	702	713	(527)	888
Overdrafts	522	189	(219)	492
Other loans to clients	3 231	3 592	(3 084)	3 739
Net finance lease and instalment debtors	2 167	1 054	(672)	2 549
Preference shares and debentures			(1)	(1)
Trade, other bills and bankers' acceptances	1			1
Impairment of loans and advances	10 778	6 407	(5 853)	11 332

19 IMPAIRMENT OF LOANS AND ADVANCES (continued)

19.2 Impairments of loans and advances by classification (continued)

	Balance at the beginning of the year Rm	Impairments charge/(release) Rm	Amounts written off against the impairments/ other transfers Rm	Total Rm
Specific impairments – 2014				
Home loans	**1 912**	**314**	**(674)**	**1 552**
Commercial mortgages	**476**	**248**	**(184)**	**540**
Properties in possession	**18**	**19**	**15**	**52**
Credit cards	**775**	**791**	**(702)**	**864**
Overdrafts	**369**	**166**	**(236)**	**299**
Other loans to clients	**2 315**	**2 615**	**(2 725)**	**2 205**
Net finance lease and instalment debtors	**1 612**	**906**	**(1 272)**	**1 246**
Preference shares and debentures	**(1)**		**1**	
Specific impairment of loans and advances	**7 476**	**5 059**	**(5 777)**	**6 758**
Specific impairments – 2013				
Home loans	2 492	354	(934)	1 912
Commercial mortgages	569	281	(374)	476
Properties in possession	23	(7)	2	18
Credit cards	605	697	(527)	775
Overdrafts	396	192	(219)	369
Other loans to clients	2 028	3 375	(3 088)	2 315
Net finance lease and instalment debtors[1]	1 284	1 048	(720)	1 612
Preference shares and debentures			(1)	(1)
Specific impairment of loans and advances	7 397	5 940	(5 861)	7 476
Portfolio impairments – 2014				
Home loans	**949**	**(61)**		**888**
Commercial mortgages	**309**	**56**	**3**	**368**
Credit cards	**113**	**9**		**122**
Overdrafts	**123**	**14**		**137**
Other loans to clients	**1 424**	**171**	**(18)**	**1 577**
Net finance lease and instalment debtors	**937**	**159**	**1**	**1 097**
Trade, other bills and bankers' acceptances	**1**			**1**
Portfolio impairment of loans and advances	**3 856**	**348**	**(14)**	**4 190**
Portfolio impairments – 2013				
Home loans	786	175	(12)	949
Commercial mortgages	285	56	(32)	309
Credit cards	97	16		113
Overdrafts	126	(3)		123
Other loans to clients	1 203	217	4	1 424
Net finance lease and instalment debtors[1]	883	6	48	937
Trade, other bills and bankers' acceptances	1			1
Portfolio impairment of loans and advances	3 381	467	8	3 856

[1] *2013 comparatives have been restated due to reclassifications of restructures in MFC as defaulted advances.*

19.3 Sectoral analysis

	Total impairments		Specific impairments		Portfolio impairments	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Individuals[1]	**7 588**	8 184	**4 979**	5 600	**2 609**	2 584
Financial services, insurance and real estate	**1 314**	975	**488**	426	**826**	549
Manufacturing	**501**	276	**339**	90	**162**	186
Building and property development	**101**	112	**41**	63	**60**	49
Transport, storage and communication	**175**	185	**69**	94	**106**	91
Retailers, catering and accommodation	**29**	49	**4**	6	**25**	43
Wholesale and trade	**131**	244	**78**	213	**53**	31
Mining and quarrying	**157**	189	**47**	132	**110**	57
Agriculture, forestry and fishing	**40**	159	**18**	140	**22**	19
Government and public sector	**58**	60	**47**	47	**11**	13
Other services	**854**	899	**648**	665	**206**	234
	10 948	11 332	**6 758**	7 476	**4 190**	3 856

19.4 Geographical analysis

SA[1]	**10 554**	10 934	**6 444**	7 180	**4 110**	3 754
Other African countries	**75**	101	**45**	32	**30**	69
Europe	**282**	155	**232**	136	**50**	19
Asia	**–**	2				2
United States	**37**	130	**37**	128		2
Other	**–**	10				10
	10 948	11 332	**6 758**	7 476	**4 190**	3 856

[1] *2013 comparatives have been restated due to reclassifications of restructures in MFC as defaulted advances.*

19.5 Interest on specifically impaired loans and advances

	2014	2013
Interest on specifically impaired loans and advances	**876**	965

Interest on specifically impaired loans and advances is determined for the period for which the loan and advance was classified as specifically impaired.

The amount is calculated by multiplying the discounted expected recovery by the effective interest rate for the specifically impaired loan and advance. The interest on specifically impaired loans and advances reflects the unwinding of the time value of money for the expected discounted recovery.

Interest on specifically impaired loans and advances does not represent the contractual interest that has been earned on the outstanding balance of a loan and advance.

20 OTHER ASSETS

	2014 Rm	2013 Rm
Sundry debtors and other accounts	**5 393**	4 204
	5 393	4 204

21 INVESTMENT SECURITIES

	2014 Rm	2013 Rm
Listed investments at market value	**624**	941
Private-equity portfolio	**624**	818
Other		123
Unlisted investments at directors' valuation	**1 745**	1 991
Strate Ltd	**51**	43
Private-equity portfolio	**1 195**	1 506
Other	**499**	442
Total listed and unlisted investments	**2 369**	2 932

22 SUMMARISED FINANCIAL INFORMATION OF INVESTMENTS IN PRIVATE EQUITY ASSOCIATES, ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS

	Profit/(loss) from continuing operations		Posttax profit/(loss) from discontinued operations		Other comprehensive income/(loss)		Total comprehensive income	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Comprehensive income								
Associates								
Private-equity associates (manufacturing, industrial, leisure and other)	**248**	130	**5**	1	**162**	6	**176**	104
Private-equity associates (property investment associates)	**141**	116	**(4)**		**(52)**		**135**	116
Other	**75**	116			**(7)**		**67**	116
Joint arrangements	**(4)**	(16)						
	460	346	**1**	1	**103**	6	**378**	336

22.1 Movement in carrying amount

	2014 Rm	2013 Rm
Carrying amount at the beginning of the year	**1 098**	1 029
Share of associate companies' and joint arrangements' profit after taxation for the current year	**12**	28
Net movement of associate companies and joint arrangements at cost[1]	**10**	61
Fair value movements	**38**	(20)
Carrying amount at end of year	**1 158**	1 098

22.2 Analysis of carrying amount

	2014 Rm	2013 Rm
Associate investments – on acquisition: Net asset value	**730**	705
Share of retained earnings since acquisition	**39**	28
Fair value movements	**389**	365
	1 158	1 098

22.3 Valuation

	2014 Rm	2013 Rm
Directors' valuation	**1 158**	1 098
	1 158	1 098

[1] *These amounts include movements due to acquisitions and disposals.*

Refer to note 51 for further information in respect of investments in private-equity associates, associate companies and joint arrangements.

23 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale	Previously included in:	2014 Rm	2013 Rm
Properties sold not yet transferred[1]	Property and equipment	**16**	12
		16	12

Non-current assets and liabilities held for sale are measured at the lower of the carrying amount and fair value less incremental directly attributable costs of disposal and are not depreciated. In accordance with IFRS 13 Fair value Measurement, the measurement of the group's non-current assets and liabilities are considered to be non-recurring. Non-recurring fair value measurements are those that IFRS requires or permits to be recognised in the statement of financial position in particular circumstances. Furthermore, the group classifies these assets and liabilities into level 3 of the fair value hierarchy. Level 3 fair value measurements are those that include the use of significant unobservable inputs.

[1] *Commitments for the sale of properties had been entered into at year-end by the group. Transfer of which had not been effected at year-end. Transfer of the properties is expected to take place during the following year.*

24 DEFERRED TAXATION

24.1 Reconciliation of deferred taxation balance

	2014 Rm	2013 Rm
Deferred taxation assets		
Balance at the beginning of the year	**69**	362
Current year temporary differences recognised in the statement of comprehensive income	**307**	(25)
Capital gains taxation	**20**	
Client credit agreements	**(5)**	
Deferred acquisition costs	**(37)**	
Deferred fee income	**15**	
Depreciation	**(17)**	
Fair value adjustments of financial instruments	**(32)**	
Impairment of loans and advances	**114**	1
Other income and expense items	**241**	(28)
Share-based payments	**21**	
Taxation losses recognised	**(13)**	2
Recognised directly in equity	**(25)**	
Other movements	**(186)**	(268)
Balance at the end of the year	**165**	69
Deferred taxation liabilities		
Balance at the beginning of the year	**297**	367
Current year temporary differences recognised in the statement of comprehensive income	**19**	(153)
Capital gains taxation	**9**	(26)
Client credit agreements		(3)
Deferred acquisition costs		64
Deferred fee income		(39)
Depreciation	**4**	85
Fair value adjustments of financial instruments	**12**	(31)
Impairment of loans and advances		(4)
Other income and expense items	**(6)**	(174)
Property revaluations		(10)
Share-based payments		(63)
Taxation losses recognised		48
Recognised directly in equity		376
Other movements	**(29)**	(293)
Balance at the end of the year	**287**	297

24 DEFERRED TAXATION (continued)

24.2 Analysis of deferred taxation

	2014 Rm	2013 Rm
Deferred taxation assets		
Capital gains taxation	**(184)**	
Client credit agreements	**(16)**	
Deferred acquisition costs	**(396)**	
Deferred fee income	**272**	
Depreciation	**(408)**	
Fair-value adjustments of financial instruments	**78**	
Impairment of loans and advances	**1249**	11
Other income and expense items	**31**	36
Property revaluations	**(443)**	
Share-based payments	**(27)**	
Taxation losses	**9**	22
	165	69
Deferred taxation liabilities		
Capital gains taxation	**52**	231
Client credit agreements		11
Deferred acquisition costs		358
Deferred fee income		(257)
Depreciation		391
Fair value adjustments of financial instruments	**28**	(94)
Impairment of loans and advances		(1116)
Other income and expense items	**88**	188
Property revaluations	**119**	531
Share-based payments		54
	287	297

25 INVESTMENT PROPERTY

25.1 Fair value

	2014 Rm	2013 Rm
Fair value at the beginning of the year	**87**	84
Transfers to non-current assets held for sale (note 23)	**(87)**	
Net profit/(loss) from fair value adjustments		4
Other movements		(1)
Fair value at the end of the year	**-**	87

25.2 Fair value of investment property

Investment properties are freehold and are either held to earn rentals or for capital appreciation. Internal professional valuers perform valuations on an annual basis. External valuers are obtained once every three years on a rotational basis in accordance with the group's policies for the valuation of properties. The internal and external valuers are members or associates of the Institute of Valuers (SA) or a local equivalent in the case of foreign subsidiaries. The carrying amount of these properties is the fair value of the property as determined by registered independent valuers who have recent experience in the location and category of the property being valued. In determining the fair value of these investment properties, the following factors were considered:

Type of property	Valuation method	Significant inputs	Parameters	2014 Rm	2013 Rm
Commercial property	Discounted cashflow	Income capitalisation rates	10,0%		87
Total investment properties measured at fair value				**-**	87

In accordance with IFRS 13 Fair value Measurement, the measurement of the group's investment properties are considered to be recurring. Recurring fair value measurements are those that IFRS requires or permits to be recognised in the statement of financial position at the end of each reporting period. Furthermore, the group classifies its investment properties into level 3 of the fair-value hierarchy. Level 3 fair-value measurements are those that include the use of significant unobservable inputs.

25.3 Rental income and operating expenses from investment property

	2014 Rm	2013 Rm
Rental income from investment property	**4**	13
Direct operating expense arising from investment property that generated rental income	**6**	20

25.4 Minimum contractual lease rental income from investment property

2014		12
	–	12

26 PROPERTY AND EQUIPMENT

	Land		Buildings		Computer equipment		Furniture and other equipment		Vehicles		Total	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Gross carrying amount												
Balance at 1 January	**789**	787	**4 005**	3 725	**2 897**	2 591	**3 294**	3 065	**24**	23	**11 009**	10 191
Acquisitions	**2**		**180**	92	**728**	432	**745**	437	**3**	4	**1 658**	965
Increases arising from revaluations[1]	**83**	7	**137**	340							**220**	347
Transfers to non-current assets held for sale	**(1)**	(3)	**(3)**	(5)							**(4)**	(8)
Disposals		(3)	**(15)**	(1)	**(542)**	(128)	**(198)**	(162)	**(4)**	(3)	**(759)**	(297)
Writeoff of accumulated depreciation on revaluations			**(85)**	(132)							**(85)**	(132)
Transfers to software (note 28)				(13)				(47)				(60)
Effect of movements in foreign exchange rates and other movements		1	**2**	(1)		2	**(1)**	1	**1**		**2**	3
Balance at 31 December	**873**	789	**4 221**	4 005	**3 083**	2 897	**3 840**	3 294	**24**	24	**12 041**	11 009
Accumulated depreciation and impairment losses												
Balance at 1 January			**371**	388	**2 154**	1 931	**1 898**	1 686	**15**	15	**4 438**	4 020
Depreciation charge for the year			**131**	126	**396**	345	**375**	367	**4**	3	**906**	841
Writeoff of accumulated depreciation on revaluations			**(85)**	(132)							**(85)**	(132)
Disposals			**(15)**		**(511)**	(123)	**(147)**	(149)	**(4)**	(3)	**(677)**	(275)
Transfers to software (note 28)				(10)				(6)				(16)
Effect of movements in foreign exchange rates and other movements				(1)		1						
Balance at 31 December			**402**	371	**2 039**	2 154	**2 126**	1 898	**15**	15	**4 582**	4 438
Carrying amount												
At 1 January	**789**	787	**3 634**	3 337	**743**	660	**1 396**	1 379	**9**	8	**6 571**	6 171
At 31 December	**873**	789	**3 819**	3 634	**1 044**	743	**1 714**	1 396	**9**	9	**7 459**	6 571

[1] *Gains on property revaluations are recognised in profit or loss to the extent that they reverse a revaluation decrease of the same asset previously recognised in profit or loss.*

26 PROPERTY AND EQUIPMENT (continued)

Equipment (principally computer equipment, motor vehicles, fixtures and furniture) is stated at cost less accumulated depreciation and impairment losses. Land is recognised at the revalued amount, which is based on external valuations obtained every three years on a rotation basis for all properties in accordance with the group's accounting policy. The valuers are members or associates of the Institute of Valuers (SA) or a local equivalent in the case of foreign subsidiaries. An annual internal review is also done on those properties not subject to external valuation. The carrying amount of properties is the fair value as determined by the valuers less subsequent accumulated depreciation and impairment losses. Adjustments in the valuation of the properties are recorded in the revaluation reserve, which is amortised over the remaining useful life of the property. In determining the fair value of properties, the following factors are considered:

Type of property	Valuation method	Significant inputs	Parameters	Land 2014 Rm	Land 2013 Rm	Buildings 2014 Rm	Buildings 2013 Rm
Commercial property	Market comparable approach and discounted cashflow	Income capitalisation rates	11,0% – 13,5% (2013: 10,0% – 13,0%)	**868**	783	**3 809**	3 629
Residential property	Market comparable approach and replacement value	Price per square metre		**5**	5	**10**	8
Total land and buildings				**873**	788	**3 819**	3 637

In accordance with IFRS 13 Fair value Measurement,the measurement of the group's properties are considered to be recurring. Recurring fair-value measurements are those that IFRS requires or permits to be recognised in the statement of financial position at the end of each reporting period. Furthermore, the group classifies its properties measured at fair value into level 3 of the fair-value hierarchy. Level 3 fair-value measurements are those that include the use of significant unobservable inputs.

In respect of certain properties there are restrictions of title in terms of regulatory restrictions such as servitudes. This does not have a material effect on the ability of the group to transfer these properties. No material plant and equipment have been pledged as security for liabilities.

If land and buildings were carried under the cost and not the revaluation model, the carrying amount would have been R2 444m (2013: R2 349m).

27 LONG-TERM EMPLOYEE BENEFITS

The group has a number of defined-benefit and defined-contribution plans in terms of which it provides pension, postretirement medical aid and long-term disability benefits to employees and their dependants on retirement, death or disability. All eligible employees and former employees are members of trustee-administered or underwritten schemes within the group, financed by company and employee contributions. All SA retirement plans are governed by the Pension Funds Act of 1956. The defined-benefit funds are actuarially valued using the projected-unit credit method. Any deficits are funded to ensure the ongoing financial soundness of the funds.

The benefits provided by the defined-benefit schemes are based on years of membership and/or salary levels. These benefits are provided from contributions by employees, the group, and income from the assets of these schemes. The benefits provided by the defined-contribution schemes are determined by the accumulated contributions and investment earnings.

At the dates of the latest valuations, the defined-benefit plans were in a sound financial position in terms of section 16 of the Pensions Funds Act. During 1998 active members in the Nedgroup Pension Fund (defined-benefit) were granted a further option to transfer to one of the defined-contribution funds and approximately three quarters of the then valuation surplus was allocated to members and pensioners.

The funds that constitute the assets and liabilities that the group has recognised in the statement of financial position in respect of its defined-benefit plans are listed below. The latest actuarial valuations were performed at 31 December 2014.

Postemployment benefits

Defined-benefit pension funds

Nedgroup Pension Fund (including the Optiplus policy).

BoE Funds, which consist of BoE Ltd Pension Fund (1969), Pension Fund of BoE Bank: Business Division.

Nedbank UK Pension Fund.

Other funds consisting of Nedbank Swaziland Ltd Pension Fund and Nedbank Lesotho Pension Fund.

Defined-benefit medical aid schemes

Nedgroup Medical Aid Scheme for Nedbank employees and pensioners.

Nedgroup Medical Aid Scheme for past BoE employees and pensioners.

Other long-term employee benefits

Disability fund

Nedbank Group Disability Fund [including the Old Mutual Alternative Risk Transfer Fund (OMART) policy].

Insurance policies held with related parties

Optiplus (Nedgroup Pension Fund) and OMART (Nedbank Group Disability Fund) are insurance policies, the proceeds of which can only be used to pay or fund the employee benefits under the specific funds. However, these policies are not qualifying insurance policies in terms of IAS 19 Employee Benefits since they are held with related parties. These rights to reimbursement are therefore recognised as separate assets and in all other respects are treated in the same way as other plan assets.

27.1 Analysis of long-term employee benefits assets and liabilities

Rm	Assets	Liabilities	Net asset
2014			
Postemployment benefits	**4 035**	**(2 628)**	**1 407**
Other long-term employee benefits – disability fund	**374**	**(374)**	
	4 409	**(3 002)**	**1 407**
2013			
Postemployment benefits	2 527	(1 484)	1 043
Other long-term employee benefits – disability fund	320	(320)	
	2 847	(1 804)	1 043

The group's defined-benefit obligation in terms of the Nedbank Group Disability Fund is recognised together with the fair value of the assets held in OMART. OMART is a structured entity controlled by the group and was established to fund this defined-benefit obligation. The value of the OMART asset held by the group is R374m (2013: R320m).

27.2 Postemployment benefits

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised due to paragraph 64 limit	Net asset/ (liability)
Analysis of postemployment benefit assets and liabilities					
2014					
Pension funds	**5 024**	**7 053**	**2 029**	**(20)**	**2 009**
Nedgroup Fund	**4 460**	**6 488**	**2 028**		**2 028**
Nedbank UK Fund	**395**	**384**	**(11)**		**(11)**
Other funds	**169**	**181**	**12**	**(20)**	**(8)**
Medical aid funds	**1 772**	**1 170**	**(602)**		**(602)**
Nedgroup scheme for Nedbank employees	**1 644**	**1 170**	**(474)**		**(474)**
Nedgroup scheme for BoE employees	**128**		**(128)**		**(128)**
Total	**6 796**	**8 223**	**1 427**	**(20)**	**1 407**
2013					
Pension funds	4 781	6 520	1 739	(18)	1 721
Nedgroup Fund	4 267	6 017	1 750		1 750
Nedbank UK Fund	352	332	(20)		(20)
Other funds	162	171	9	(18)	(9)
Medical aid funds	1 571	893	(678)		(678)
Nedgroup scheme for Nedbank employees	1 481	893	(588)		(588)
Nedgroup scheme for BoE employees	90		(90)		(90)
Total	6 352	7 413	1 061	(18)	1 043

27 LONG-TERM EMPLOYEE BENEFITS (continued)

27.2 Postemployment benefits (continued)

Rm	Pension and provident funds	Medical aid funds	Total
Present value of defined-benefit obligation			
2014			
Balance at the beginning of the year	**4 781**	**1 571**	**6 352**
Current service cost	**34**	**68**	**102**
Interest cost	**382**	**151**	**533**
Contributions by plan participants	**10**		**10**
Actuarial losses	**138**	**42**	**180**
Benefits paid	**(335)**	**(60)**	**(395)**
Impact of foreign currency exchange rate changes	**14**		**14**
Balance at the end of the year	**5 024**	**1 772**	**6 796**
2013			
Balance at the beginning of the year	4 784	1 584	6 368
Current service cost	32	65	97
Interest cost	312	132	444
Contributions by plan participants	10		10
Actuarial gains	(155)	(148)	(303)
Impact of foreign currency exchange rate changes	74		74
Benefits paid	(276)	(62)	(338)
Balance at the end of the year	4 781	1 571	6 352
Fair value of plan assets			
2014			
Balance at the beginning of the year	**6 520**	**893**	**7 413**
Expected return on plan assets	**528**	**92**	**620**
Actuarial gains	**290**	**(24)**	**266**
Contributions by the employer	**38**	**265**	**303**
Contributions by plan participants	**10**		**10**
Benefits paid	**(335)**	**(56)**	**(391)**
Scheme-settled administration costs	**(11)**		**(11)**
Impact of foreign currency exchange rate changes	**13**		**13**
Balance at the end of the year	**7 053**	**1 170**	**8 223**
2013			
Balance at the beginning of the year	5 635	854	6 489
Expected return on plan assets	368	68	436
Actuarial gains	690	28	718
Contributions by the employer	32		32
Contributions by plan participants	10		10
Benefits paid	(275)	(57)	(332)
Scheme-settled administration costs	(8)		(8)
Impact of foreign currency exchange rate changes	68		68
Balance at the end of the year	6 520	893	7 413

Rm	Pension and provident funds	Medical aid funds	Total
Net asset/(liability) recognised			
2014			
Present value of defined-benefit obligation	**(5 024)**	**(1 772)**	**(6 796)**
Fair value of plan assets	**7 053**	**1 170**	**8 223**
Funded status	**2 029**	**(602)**	**1 427**
Unrecognised due to paragraph 64 limit	**(20)**		**(20)**
	2 009	**(602)**	**1 407**
Asset	**4 035**		**4 035**
Liability	**(2 026)**	**(602)**	**(2 628)**
2013			
Present value of defined-benefit obligation	(4 781)	(1 571)	(6 352)
Fair value of plan assets	6 520	893	7 413
Funded status	1 739	(678)	1 061
Unrecognised due to paragraph 64 limit	(18)		(18)
	1 721	(678)	1 043
Asset	2 527		2 527
Liability	(806)	(678)	(1 484)
Net (income)/expense recognised			
2014			
Current service cost	**34**	**68**	**102**
Interest cost	**(145)**	**59**	**(86)**
Scheme-settled plan administration costs	**11**		**11**
	(100)	**127**	**27**
2013			
Current service cost	32	65	97
Interest cost	(56)	65	9
Scheme-settled plan administration costs	8		8
	(16)	130	114
Movements in net asset/(liability) recognised			
2014			
Balance at the beginning of the year	**1 721**	**(678)**	**1 043**
Net income/(expense) recognised in the statement of comprehensive income	**100**	**(127)**	**(27)**
Net remeasurements – credit for the year	**151**	**(66)**	**85**
Contributions paid by the employer	**38**	**269**	**307**
Impact of foreign currency exchange rate changes	**(1)**		**(1)**
Balance at the end of the year	**2 009**	**(602)**	**1 407**
2013			
Balance at the beginning of the year	842	(730)	112
Net income/(expense) recognised in the statement of comprehensive income	16	(130)	(114)
Net remeasurements – credit/(debit) for the year	836	175	1 011
Contributions paid by the employer	32	7	39
Impact of foreign currency exchange rate changes	(5)		(5)
Balance at the end of the year	1 721	(678)	1 043

27 LONG-TERM EMPLOYEE BENEFITS (continued)

27.2 Postemployment benefits (continued)

	Pension and provident funds	Medical aid funds	Total
Distribution of plan assets (%)			
2014			
Equity instruments	**34,18**	**25,00**	**32,88**
Debt instruments	**28,74**	**17,00**	**27,07**
Property	**4,89**		**4,19**
Cash	**6,32**	**43,00**	**11,54**
International	**25,87**	**15,00**	**24,32**
	100,00	**100,00**	**100,00**
2013			
Equity instruments	31,81	25,00	31,00
Debt instruments	28,03	17,00	26,70
Property	4,39		3,86
Cash	5,87	43,00	10,34
International	29,90	15,00	28,10
	100,00	100,00	100,00
Actual return on plan assets (Rm)			
2014	**818**	**68**	**886**
2013	1 058	96	1 154

Principal actuarial assumptions (%)	Range	Used in valuation
2014		
Discount rates	**3,60 – 8,10**	**9,1**
Expected rates of return on plan assets	**3,60 – 8,10**	**9,1**
Inflation rate	**2,25 – 5,90**	**6,5**
Expected rates of salary increases	**6,90 – 7,10**	**6,5**
Pension increase allowance	**0,53 – 5,90**	
Annual increase to medical aid subsidy		**7,5**
Average expected retirement age (years)	**55 to 65**	**60**
2013		
Discount rates	4,40 – 8,50	9,4
Expected rates of return on plan assets	4,40 – 8,50	9,4
Inflation rate	2,50 – 6,10	6,8
Expected rates of salary increases	7,00 – 7,10	6,8
Pension increase allowance	0,57 – 6,10	
Annual increase to medical aid subsidy		7,8
Average expected retirement age (years)	55 to 65	60

Pension funds

The expected long-term return is a function of the expected long-term returns on equities, cash and bonds. In setting these assumptions the asset splits at the latest available date were used and adjustments were made to reflect the effect of expenses.

Weighted average assumptions:	2014 %	2013 %
Discount rate	**7,86**	8,30
Expected return on plan assets	**7,86**	8,30
Future salary increases	**6,34**	6,55
Future pension increases	**5,53**	5,74

Medical aid funds

The overall expected long-term rate of return on plan assets is 9,4%. The expected rate of return is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation. The expected rate of return is based on the expected performance of the entire portfolio.

Experience adjustments on present value of defined-benefit obligation for past five years			
2014	**55**	**(42)**	**13**
2013	229	148	377
2012	10	18	28
2011	(106)	153	47
2010	30	48	78
2009	192	(98)	94
Experience adjustments on fair value of plan assets for past five years			
2014		**(24)**	**(24)**
2013		28	28
2012		18	18
2011	(30)	(2)	(32)
2010	95	(10)	85
2009	185	27	212
Estimate of future contributions			
Contributions expected for ensuing year	36		36

Fund surplus/(deficit) for past five years

	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Pension funds			
2014	**5 024**	**7 053**	**2 029**
2013	4 781	6 520	1 739
2012	4 784	5 635	851
2011	4 191	5 115	924
2010	3 917	4 908	991
2009	3 432	4 633	1 201
Medical aid funds			
2014	**1 772**	**1 170**	**(602)**
2013	1 571	893	(678)
2012	1 584	854	(730)
2011	1 482	830	(652)
2010	1 222	810	(412)
2009	1 085	790	(295)

Effect of 1% change in assumed medical cost trend rates (Rm)

	2014	2013
1% increase – effect on current service cost and interest cost	**50**	36
1% increase – effect on accumulated benefit obligation	**274**	228
1% decrease – effect on current service cost and interest cost	**(20)**	(29)
1% decrease – effect on accumulated benefit obligation	**(222)**	(186)

28 INTANGIBLE ASSETS

Rm	Goodwill	Software	Software development costs	Total
2014				
Cost				
Balance at the beginning of the year	1 633	6 859	952	9 444
Acquisitions		241	804	1 045
Development costs commissioned to software		761	(761)	–
Impairment losses		(33)	(38)	(71)
Disposals and retirements		(198)		(198)
Foreign currency translation and other movements		(1)		(1)
Balance at the end of the year	1 633	7 629	957	10 219
Accumulated amortisation				
Balance at the beginning of the year	224	4 897	135	5 256
Amortisation charge		644		644
Disposals and retirements		(198)		(198)
Foreign currency translation and other movements		1		1
Balance at the end of the year	224	5 344	135	5 703
Carrying amount				
At the beginning of the year	1 409	1 962	817	4 188
At the end of the year	1 409	2 285	822	4 516
2013				
Cost				
Balance at the beginning of the year	1 633	5 884	1 001	8 518
Acquisitions		263	678	941
Development costs commissioned to software		669	(669)	–
Impairment losses		(5)	(59)	(64)
Disposals and retirements		(15)		(15)
Transfers from property and equipment (note 26)		60		60
Foreign currency translation and other movements		3	1	4
Balance at the end of the year	1 633	6 859	952	9 444
Accumulated amortisation				
Balance at the beginning of the year	224	4 330	134	4 688
Amortisation charge		566	[1]	566
Disposals and retirements		(17)		(17)
Transfers from property and equipment (note 26)		16		16
Foreign currency translation and other movements		2	1	3
Balance at the end of the year	224	4 897	135	5 256
Carrying amount				
At the beginning of the year	1 409	1 554	867	3 830
At the end of the year	1 409	1 962	817	4 188

[1] *Represents amounts less than R1m.*

28.1 Analysis of goodwill

	2014			2013		
Rm	**Cost**	**Accumulated impairment losses**	**Carrying amount**	Cost	Accumulated impairment losses	Carrying amount
Original subsidiary companies						
Peoples Mortgage Ltd	**198**	**(198)**	**–**	198	(198)	–
IBL Asset Finance and Services Ltd	**285**	**(25)**	**260**	285	(25)	260
Old Mutual Bank	**206**		**206**	206		206
Capital One	**82**		**82**	82		82
American Express	**81**		**81**	81		81
Nedbank Limited – BoE Ltd	**757**		**757**	757		757
Visigro Investments (Pty) Ltd	**19**		**19**	19		19
Other	**5**	**(1)**	**4**	5	(1)	4
	1 633	**(224)**	**1 409**	1 633	(224)	1 409

Goodwill is allocated to individual CGUs based on business activity. Impairment testing is done on a regular basis by comparing the net carrying value of the CGUs to the estimated value in use. The value in use is determined by discounting estimated future cashflows of each CGU. The discounted cashflow calculations have been performed using Nedbank's cost of equity, which is calculated using the Capital Asset Pricing Model. No impairments resulting from impairment testing have been effected for the reporting periods presented. Management regards the useful lives of all CGUs to be indefinite. See note 3 for key assumptions used when assessing goodwill impairment.

The value in use of the various CGUs was based on the following assumptions:

	2014	2013
Risk-free rate (%)	**7,98**	8,23
Beta range	**0,21 – 0,89**	0,15 – 0,81
Equity risk premium (%)	**6,00**	6,00
Terminal growth rate range (%)	**0,00 – 5,80**	0,00 – 5,00
Cashflow projection (years)	**3**	3
Discount rate range (%)	**9,08 – 12,81**	9,06 – 13,06
Goodwill on a geographical basis relates to SA in total and is as follows:		
Carrying amount	**1 409**	1 409
Estimated value in use	**100 801**	109 509
Net estimated recoverable amounts	**99 392**	108 100

29 SHARE CAPITAL

29.1 Ordinary share capital

	2014 Rm	2013 Rm
Authorised		
30 000 000 (2013: 30 000 000) ordinary shares of R1 each	**30**	30
Issued		
27 241 024 (2013: 27 241 024) fully paid ordinary shares of R1 each	**27**	27

Subject to the restrictions imposed by the Companies Act, 2008 (as amended), the unissued shares are under the control of the directors until the forthcoming annual general meeting.

29 SHARE CAPITAL (continued)

29.2 Preference share capital and premium

	2014 Rm	2013 Rm
Nedbank Limited preference share capital and premium		
Authorised		
1 000 000 000 (2013: 1 000 000 000) non-redeemable non-cumulative preference shares of R0,001 each	**1**	1
5 000 Class A redeemable cumulative preference shares of R0,0001 each	[1]	[1]
5 000 Class B redeemable cumulative preference shares of R0,0001 each	[1]	[1]
Issued		
358 277 491 (2013: 358 277 491) non-redeemable non-cumulative preference shares of R0,001 each		
100 Class A redeemable cumulative preference shares of R0,0001 each	[1]	[1]
100 Class B redeemable cumulative preference shares of R0,0001 each	[1]	[1]
Preference share premium	**3 561**	3 561
	3 561	3 561

[1] *Represents amounts less than R1m.*

Preference shares are classified as equity instruments by Nedbank Limited (the company).

Each preference share confers on the holder the right to capital of the company in the form of a cash dividend prior to payment of dividends to any other class of shareholder. The rate is limited to 83,33% of the prevailing prime rate on a deemed value of R10 and is never compounded. The dividends, if declared, accrue half-yearly on 30 June and 31 December and are payable within 120 days of these dates respectively.

If a preference dividend is not declared, the dividend will not accumulate and will never become payable by the company, whether in preference to payments to any other class of share or otherwise.

Each preference share confers on the holder the right to a return of capital on the winding up of the company prior to any payment to any other class of share, but holders are not entitled to any further participation in the profits, assets or any surplus assets of the company in such circumstances.

The holders of this class of share are not entitled to be present or vote (even by proxy) at any meeting of the company except when a declared dividend or part thereof remains in arrears and unpaid after six months from the due date or a resolution is proposed that directly affects the rights attached to the preference share or the interests of the holder, including resolutions to wind up the company or in the reduction of its share capital.

At every general meeting where the preference shareholder is entitled to vote, the voting rights are restricted to the holder's nominal value in proportion to the total nominal value of all shares issued by the company.

No shares in the capital of the company, in priority to the preference shares, can be created or issued without prior sanction of the holders of preference shares by way of a resolution passed at a separate class meeting properly constituted in terms of the provisions set out in the articles of association of the holders of preference shares.

30 AMOUNTS OWED TO DEPOSITORS

30.1 Classifications

	2014 Rm	2013 Rm
Current accounts	**62 385**	56 139
Savings deposits	**9 649**	9 408
Other deposits and loan accounts	**453 350**	409 320
Call and term deposits	**252 157**	232 382
Fixed deposits	**41 264**	36 879
Cash management deposits	**60 025**	55 943
Other deposits and loan accounts	**99 904**	84 116
Foreign currency liabilities	**29 807**	13 799
Negotiable certificates of deposit	**66 849**	84 573
Deposits received under repurchase agreements[1]	**12 583**	12 258
	634 623	585 497
Comprises:		
– Amounts owed to depositors	**586 058**	540 238
– Amounts owed to banks	**48 565**	45 259
	634 623	585 497

Deposit products include current accounts, savings accounts, call and notice deposits, fixed deposits and negotiable certificates of deposit. Term deposits vary from six months to five years in both the wholesale and retail markets.

Foreign currency liabilities are either matched by advances to clients or hedged against exchange rate fluctuations.

[1] *Government and other securities (note 17) and negotiable certificates of deposit (note 15) amounting to R11 525m (2013: R12 258m) have been pledged as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred but that do not qualify for derecognition under IAS 39.*

30.2 Sectoral analysis

	2014 Rm	2013 Rm
Banks	**48 565**	45 259
Government and public sector	**46 652**	47 029
Individuals	**154 520**	141 811
Business sector	**384 886**	351 398
	634 623	585 497

30.3 Geographical analysis

	2014 Rm	2013 Rm
SA	**613 638**	569 220
Rest of Africa	**6 956**	5 704
Europe	**13 865**	8 360
Asia	**164**	165
United States		2 048
	634 623	585 497

31 PROVISIONS AND OTHER LIABILITIES

	2014 Rm	2013 Rm
Creditors and other accounts	**6 668**	7 206
Deferred revenue: customer loyalty programmes	**258**	277
Short-trading securities and spot positions	**767**	1 857
Leave pay accrual (note 31.1)	**711**	676
	8 404	10 016

31.1 Leave pay accrual

	2014 Rm	2013 Rm
Balance at the beginning of the year	**676**	635
Recognised in profit or loss	**386**	367
Utilised during the year	**(351)**	(326)
Balance at the end of the year	**711**	676

31 PROVISIONS AND OTHER LIABILITIES (continued)

31.2 Day-one gains and losses

The group enters into transactions where the fair value of the financial instruments are determined using valuation models for which certain inputs are not based on market-observable prices or rates. Such financial instruments are initially recognised at the transaction price, which is the best indicator of fair value. The transaction price may differ from the valuation amount obtained, giving rise to a day-one profit or loss.

The difference between the transaction price and the valuation amount, commonly referred to as 'day-one profit or loss', is deferred and either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market-observable inputs, or realised when the financial instrument is derecognised.

The group's day-one profits are attributable to commodity financial instruments.

	2014 Rm	2013 Rm
Balance at the beginning of the year		33
Loss recognised in the statement of comprehensive income		(33)
Balance at the end of the year	–	–

32 LONG-TERM DEBT INSTRUMENTS

	Nominal value	Instrument terms	2014 Rm	2013 Rm
Subordinated debt			9 813	8 946
Rand-denominated	**Rm**		8 654	7 895
Callable notes repayable on 8 February 2019 (NED8) (a)	1 700	8,90% per annum[1]		1 765
Callable notes repayable on 6 July 2022 (NED9) (c)	2 000	JIBAR + 0,47% per annum[2]	2 031	2 026
Callable notes repayable on 17 September 2020 (NED11) (b)	1 000	10,54% per annum[1]	1 048	1 070
Callable notes repayable on 25 July 2023 (NED13) (g)	1 800	JIBAR + 2,75% per annum[2]	1 828	1 826
Callable notes repayable on 29 November 2023 (NED14) (g)	1 200	JIBAR + 2,55% per annum[2]	1 209	1 208
Callable notes repayable on 8 April 2024 (NED15) (h)	450	10,49% per annum[1]	461	
Callable notes repayable on 8 April 2024 (NED16) (g)	1 737	JIBAR + 2,55% per annum[2]	1 771	
Callable notes repayable on 14 October 2024 (NED17) (g)	300	JIBAR + 2,75% per annum[2]	306	
US dollar-denominated	**US$m**		1 159	1 051
Callable notes repayable on 3 March 2022 (EMTN01) (e)	100	Three month USD LIBOR[2]	1 159	1 051
Hybrid subordinated debt – Rand-denominated	**Rm**		1 900	1 831
Callable notes repayable on 20 November 2018 (NEDH1A) (d)	487	15,05% per annum[1]	575	552
Callable notes repayable on 20 November 2018 (NEDH1B) (d)	1 265	JIBAR + 4,75% per annum[2]	1 325	1 279
Securitised liabilities – Rand-denominated	**Rm**		1 395	1 593
Callable notes repayable on 25 October 2039 (GRH1A1) (f)	480	JIBAR + 1,1% per annum[2]	32	232
Callable notes repayable on 25 October 2039 (GRH1A2) (f)	336	JIBAR + 1,25% per annum[2]	340	340
Callable notes repayable on 25 October 2039 (GRH1A3) (f)	900	JIBAR + 1,54% per annum[2]	912	910
Callable notes repayable on 25 October 2039 (GRH1B) (f)	110	JIBAR + 1,90% per annum[2]	111	111

[1] *Interest on these notes is payable biannually.*
[2] *Interest on these notes is payable quarterly.*

	Nominal value	Instrument terms	2014 Rm	2013 Rm
Senior unsecured debt – Rand-denominated	Rm		**22 511**	20 882
Senior unsecured notes repayable on 15 September 2015 (NBK2A)	3 244	10,55% per annum[1]	**3 347**	3 347
Senior unsecured notes repayable on 15 September 2015 (NBK2B)	1 044	JIBAR + 2,20% per annum[2]	**1 054**	1 053
Senior unsecured notes repayable on 9 September 2019 (NBK3A)	1 273	11,39% per annum[1]	**1 385**	1 397
Senior unsecured notes repayable on 28 October 2024 (NBK4)	660	Zero coupon[1]	**263**	236
Senior unsecured notes repayable on 19 April 2015 (NBK6A)	478	9,68% per annum[1]	**487**	487
Senior unsecured notes repayable on 19 April 2015 (NBK6B)	1 027	JIBAR + 1,75% per annum[2]	**1 043**	1 041
Senior unsecured notes repayable on 19 April 2020 (NBK7B)	80	JIBAR + 2,15% per annum[2]	**81**	81
Senior unsecured notes repayable on 24 March 2014 (NBK8A)	450	8,39% per annum[1]		460
Senior unsecured notes repayable on 24 March 2014 (NBK8B)	988	JIBAR + 1,05% per annum[2]		869
Senior unsecured notes repayable on 23 March 2016 (NBK9A)	1 137	9,36% per annum[1]	**1 166**	1 166
Senior unsecured notes repayable on 23 March 2016 (NBK9B)	677	JIBAR + 1,25% per annum[2]	**678**	678
Senior unsecured notes repayable on 25 July 2016 (NBK10A)	151	6,91% per annum[1]	**154**	155
Senior unsecured notes repayable on 21 April 2014 (NBK10B)	500	JIBAR + 1,00% per annum[2]		455
Senior unsecured notes repayable on 28 November 2020 (NBK11A)	1 888	8,92% per annum[1]	**1 903**	1 903
Senior unsecured notes repayable on 27 October 2014 (NBK11B)	1 075	JIBAR + 0,94% per annum[2]		1 086
Senior unsecured notes repayable on 19 March 2021 (NBK12A)	855	9,38% per annum[1]	**878**	
Senior unsecured notes repayable on 20 February 2015 (NBK12B)	1 297	JIBAR + 1,00% per annum[2]	**1 307**	1 306
Senior unsecured notes repayable on 19 March 2024 (NBK13A)	391	9,73% per annum[1]	**402**	
Senior unsecured notes repayable on 21 February 2017 (NBK13B)	405	JIBAR + 1,30% per annum[2]	**408**	408
Senior unsecured notes repayable on 28 November 2016 (NBK14A)	500	9,29% per annum[1]	**501**	
Senior unsecured notes repayable on 27 August 2015 (NBK14B)	250	JIBAR + 1,00% per annum[2]	**252**	251
Senior unsecured notes repayable on 27 August 2017 (NBK15B)	786	JIBAR + 1,31% per annum[2]	**700**	730
Senior unsecured notes repayable on 25 July 2016 (NBK16B)	3 056	JIBAR + 0,8% per annum[2]	**3 068**	3 074
Senior unsecured notes repayable on 28 November 2016 (NBK17B)	694	JIBAR + 0,75% per annum[2]	**698**	699
Senior unsecured notes repayable on 20 March 2017 (NBK18B)	1 035	JIBAR + 0,85% per annum[2]	**1 037**	
Senior unsecured notes repayable on 26 June 2017 (NBK19B)	806	JIBAR + 0,9% per annum[2]	**806**	
Senior unsecured notes repayable on 25 June 2021 (NBK20B)	650	JIBAR + 1,3% per annum[2]	**650**	
Senior unsecured notes repayable on 10 November 2017 (NBK21B)	241	JIBAR + 1,12% per annum[2]	**243**	
Other – Rand-denominated	Rm		**15**	13
Unsecured debentures repayable on 30 November 2029	200	Zero coupon	**15**	13
Total long-term debt instruments in issue			**35 634**	33 265

[1] *Interest on these notes is payable biannually.*

[2] *Interest on these notes is payable quarterly.*

32 LONG-TERM DEBT INSTRUMENTS (continued)

During the year there were no defaults or breaches of principal, interest or any other terms and conditions of long-term debt instruments.

Coupon holders are entitled, in the event of interest default, to put the coupon covering such interest payments to Nedbank Limited. The US dollar subordinated-debt instruments are either matched by advances to clients or covered against exchange rate fluctuations. In accordance with the group's memorandum of incorporation the borrowing powers of the group are unlimited.

(a) Callable by the issuer, Nedbank Limited, after seven years from the date of issue, being 20 September 2006 and 8 February 2007 (ie 20 September 2013 and 8 February 2014), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,05% and 2,17% respectively.

(b) Callable by the issuer, Nedbank Limited, after eight years from the date of issue, being 17 September 2007 (ie 17 September 2015), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,85%.

(c) Callable by the issuer, Nedbank Limited, after 10 years from the date of issue, being 6 July 2007 (ie 6 July 2017), at which time the interest converts to a floating three-month JIBAR rate, plus a spread of 2,20%.

(d) Callable by the issuer, Nedbank Limited, after ten and a half years from the date of issue, being 20 May 2008 (ie 20 November 2018), at which time the interest converts to a floating three-month JIBAR rate plus 712,5 bps in perpetuity unless called.

(e) Callable by the issuer, Nedbank Limited, after eight years from the date of issue 3 March 2009 (ie 3 March 2017), at which time the interest rate converts to a floating three-month USD LIBOR rate, plus a spread of 3,00%.

(f) Callable by the issuer, Greenhouse Funding (RF) Ltd, after approximately five years from the date of issue, being 19 November 2012 (ie 25 October 2017), at which time the interest rate on the notes (GRH1A1, GRH1A2, GRH1A3, GRH1B) will step up to three-month JIBAR rate, plus a spread of 1,49%, 1,69%, 2,08% and 2,57% respectively.

(g) Callable by the issuer, Nedbank Limited, after five years from the date of issue, 24 July 2013, 28 November 2013, 7 April 2014 and 13 October 2014 (ie 25 July 2018, 29 November 2018, 8 April 2019 and 14 October 2019), at which time the interest remains at a floating three-month JIBAR rate, plus a spread of 2,75%, 2,55%, 2,55% and 2,75% respectively.

(h) Callable by the issuer, Nedbank Limited, after five years from the date of issue, 7 April 2014 (ie 8 April 2019), at which time the interest remains at a fixed rate of 10,49%.

33 CASHFLOW INFORMATION

33.1 Reconciliation of profit from operations to cash generated by operations

	2014 Rm	2013 Rm
Profit from operations	**10 822**	9 437
Adjusted for:		
– Depreciation (note 8)	**906**	841
– Amortisation: computer software and intangible assets (note 8)	**644**	566
– Movement in impairment of loans and advances	**5 407**	6 407
– Net income on investment banking assets	**(11)**	(14)
– Impairment losses on investments, property and equipment, and capitalised development costs (note 10)	**96**	64
– Loss on sale of subsidiaries, investments and property and equipment (note 10)		(5)
– Fair value adjustments of investment properties (note 25)		(4)
– Indirect taxation (note 9)	**522**	480
Cash generated by operations	**18 386**	17 772

33.2 Cash received from clients

	2014 Rm	2013 Rm
Interest and similar income (note 5)	**50 075**	44 107
Commission and fees (note 7)	**12 591**	12 193
Net trading income (note 7)	**2 394**	2 331
Other income	**1 160**	891
	66 220	59 522

33.3 Cash paid to clients, employees and suppliers

	2014 Rm	2013 Rm
Interest expense and similar charges (note 6)	**(28 322)**	(23 873)
Staff costs (note 8)	**(12 550)**	(11 513)
Other operating expenses	**(7 931)**	(7 279)
	(48 803)	(42 665)

33.4 Increase in operating assets

	2014 Rm	2013 Rm
Other short-term securities	**(21 318)**	2 571
Government and other securities	**4 451**	(5 085)
Loans and advances and other operating assets	**(47 198)**	(51 190)
	(64 065)	(53 704)

33.5 Increase in operating liabilities

	2014 Rm	2013 Rm
Current and savings accounts	**6 487**	2 791
Other deposits, loan accounts and foreign currency liabilities	**60 038**	34 479
Negotiable certificates of deposit	**(17 724)**	9 859
Deposits received under repurchase agreements	**325**	(4 303)
Creditors and other liabilities	**(1 685)**	3 802
	47 441	46 628

33.6 Taxation paid

	2014 Rm	2013 Rm
Amounts receivable at the beginning of the year	**327**	174
Statement of comprehensive income charge (excluding deferred taxation)	**(3 074)**	(2 424)
Other taxation received/(paid)	**7**	(2)
Amounts receivable at the end of the year	**(201)**	(327)
	(2 941)	(2 579)
Total indirect taxation (note 9)	**(522)**	(480)
Taxation paid	**(3 463)**	(3 059)

33.7 Dividends paid

	2014 Rm	2013 Rm
Recognised in the consolidated statement of changes in shareholders' equity	**(3 400)**	(3 450)

34 CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS

		At fair value through profit or loss		
	Notes	Total Rm	Held for trading Rm	Designated[1] Rm
2014				
Assets				
Cash and cash equivalents	14	10 757		
Other short-term securities	15	56 322	8 447	15 282
Derivative financial instruments	16	15 644	15 644	
Government and other securities	17	26 828	5 229	8 603
Loans and advances	18	603 329	26 306	58 431
Other assets	20	5 393	18	383
Current taxation assets		236		
Investment securities	21	2 369		2 352
Non-current assets held for sale	23	16		
Investments in private-equity associates, associate companies and joint arrangements	22	1 158		898
Deferred taxation assets	24	165		
Investment property	25			
Property and equipment	26	7 459		
Long-term employee benefit assets	27	4 409		
Mandatory reserve deposits with central bank	14	14 843		
Intangible assets	28	4 516		
Total assets		753 444	55 644	85 949
Equity and liabilities				
Ordinary share capital	29.1	27		
Ordinary share premium		17 422		
Reserves		34 787		
Total equity attributable to equity holders of the parent		52 236		
Preference share capital and premium	29.2	3 561		
Non-controlling interest attributable to:				
– ordinary shareholders		183		
Total equity		55 980		
Derivative financial instruments[1]	16	15 479	15 479	
Amounts owed to depositors	30	634 623	77 201	39 437
Provisions and other liabilities	31	8 404	902	
Current taxation liabilities		35		
Deferred taxation liabilities	24	287		
Long-term employee benefit liabilities	27	3 002		
Long-term debt instruments	32	35 634		2 040
Total liabilities		697 464	93 582	41 477
Total equity and liabilities		753 444	93 582	41 477

[1] *Refer to note 36 in respect of financial instruments designated as at fair value through profit or loss.*

	Available-for-sale financial assets Rm	Held-to-maturity investments Rm	Loans and receivables Rm	Financial liabilities at amortised cost Rm	Non-financial assets, liabilities and equity Rm
			10 757		
		32 593			
	2 653	9 245	1 098		
			518 592		
			4 992		
					236
	17				
					16
					260
					165
					7 459
					4 409
			14 843		
					4 516
	2 670	41 838	550 282		17 061
					27
					17 422
					34 787
					52 236
					3 561
					183
					55 980
				517 985	
				7 502	
					35
					287
					3 002
				33 594	
				559 081	3 324
				559 081	59 304

34 CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

		At fair value through profit or loss		
	Notes	Total Rm	Held for trading Rm	Designated[1] Rm
2013				
Assets				
Cash and cash equivalents	14	17 467		
Other short-term securities	15	35 004	10 376	11 293
Derivative financial instruments	16	13 811	13 811	
Government and other securities	17	31 279	5 423	9 897
Loans and advances	18	566 047	31 783	59 332
Other assets	20	4 204	20	335
Current taxation assets		340		
Investment securities	21	2 932	5	2 781
Non-current assets held for sale	23	12		
Investments in private-equity associates, associate companies and joint arrangements	22	1 098		860
Deferred taxation assets	24	69		
Investment property	25	87		
Property and equipment	26	6 571		
Long-term employee benefit assets	27	2 847		
Mandatory reserve deposits with central bank	14	13 199		
Intangible assets	28	4 188		
Total assets		699 155	61 418	84 498
Equity and liabilities				
Ordinary share capital	29.1	27		
Ordinary share premium		17 422		
Reserves		30 524		
Total equity attributable to equity holders of the parent		47 973		
Preference share capital and premium	29.2	3 561		
Non-controlling interest attributable to:				
– ordinary shareholders		141		
Total equity		51 675		
Derivative financial instruments	16	16 588	16 588	
Amounts owed to depositors	30	585 497	57 482	89 762
Provisions and other liabilities	31	10 016	1 970	
Current taxation liabilities		13		
Other liabilities held for sale	23			
Deferred taxation liabilities	24	297		
Long-term employee benefit liabilities	27	1 804		
Long-term debt instruments	32	33 265		3 778
Total liabilities		647 480	76 040	93 540
Total equity and liabilities		699 155	76 040	93 540

[1] *Refer to note 36 in respect of financial instruments designated as at fair value through profit or loss.*

Available-for-sale financial assets Rm	Held-to-maturity investments Rm	Loans and receivables Rm	Financial liabilities at amortised cost Rm	Non-financial assets, liabilities and equity Rm
		17 467		
	13 335			
2 027	12 033	1 899		
		474 932		
		3 849		
				340
146				
				12
				238
				69
				87
				6 571
				2 847
		13 199		
				4 188
2 173	25 368	511 346		14 352
				27
				17 422
				30 524
				47 973
				3 561
				141
				51 675
			438 253	
			8 046	
				13
				297
				1 804
			29 487	
			475 786	2 114
			475 786	53 789

35 FAIR VALUE MEASUREMENT – FINANCIAL INSTRUMENTS

35.1 Valuation of financial instruments

Background

Information obtained from the valuation of financial instruments is used by the group to assess the performance of the business and, in particular, provide assurance that the risk and return measures that the business has taken are accurate and complete. It is important that the valuation of financial instruments accurately represents the financial position of the group while complying with the requirements of the applicable accounting standards.

The fair value of a financial instrument is the amount that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is a presumption that an entity is a going concern without any intention or need to liquidate, to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value is not, therefore, the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distressed sale.

Control environment

Validation and approval

The business unit entering into the transaction is responsible for the initial determination and recording of the fair value of the transaction. There are normalised review protocols for the independent review and validation of fair values separate from the business unit entering into the transaction. These include, but are not limited to:

- daily controls over the profit or loss recorded by trading and treasury frontoffice traders;
- specific controls to ensure consistent pricing policies and procedures are adhered to;
- independent valuation of structures, products and trades; and
- periodic review of all elements of the modelling process.

The validation of pricing and valuation methodologies is verified by a specialist team that is part of the group's risk management function and that is independent of all the business units. A specific area of focus is the marking-to-model of illiquid and/or complex financial instruments.

The review of the modelling process includes approval of model revisions, vetting of model inputs, review of model results and more specifically the verification of risk calculations. All valuation techniques are validated and reviewed by qualified senior staff and are calibrated and back-tested for validity by using prices from any observable current market transaction in the same instrument (ie without modification or repackaging) or based on any observable market data. The group obtains market data consistently in the same market where the instrument was originated or purchased.

If the fair value calculation deviates from the quoted market value due to inaccurate observed market data, these deviations in the valuation are documented and presented at a review committee, which is independent of both the business unit and the specialist team, for approval. The committee will need to consider both the regulatory and accounting requirements in arriving at an opinion on whether the deviation is acceptable.

The group refines and modifies its valuation techniques as markets and products develop and as the pricing for individual products becomes more or less readily available. While the group believes its valuation techniques are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions may result in different estimates of fair value at the different reporting dates.

Stress testing and sensitivity measures

Comprehensive stress testing is conducted by the group, in which the following, at a minimum, are considered:

- anticipated future projected trading positions;
- historical events;
- scenario testing to evaluate plausible future events; and
- specific testing to supplement the value at risk (VaR) methodology (ie one-day holding period and 99% confidence interval).

For further discussion in respect of stress testing and sensitivity measures refer to note 35.7.

Valuation methodologies

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. A fair value measurement includes, but is not limited to, consideration of the following:

- the particular asset or liability that is being measured (consistently with its unit of account);
- the principal (or most advantageous) market for the asset or liability; and
- the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair-value hierarchy within which the inputs are categorised.

Quoted price

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The appropriate quoted market price for an asset held or a liability to be issued is usually the current bid price and, for an asset to be acquired or a liability held, the asking price.

The objective of determining fair value is to arrive at the transaction price of an instrument on the measurement date (ie without modifying or repackaging the instrument) in the principal (or most advantageous) active market to which the business has immediate access.

The existence of published price quotations in an active market is the most reliable evidence of fair value and, when they exist, they are used without adjustment to measure the financial asset or financial liability. A market is considered to be active if transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

These quoted prices would generally be classified as level 1 in terms of the fair value hierarchy prescribed by IFRS 13 Fair value Measurement.

Valuation techniques

If the market for a financial instrument is not active, the group establishes fair value by using various valuation techniques. These valuation techniques may include:

- using recent arm's length market transactions between knowledgeable, willing parties;
- reference to the current fair value of another instrument that is substantially of the same in nature;
- reference to the value of the net asset of the underlying business;
- earnings multiples;
- discounted-cashflow analysis; and
- various option pricing models.

If there is a valuation technique that is commonly used by market participants to price the financial instrument and that technique has been demonstrated to provide reasonable estimates of prices obtained in actual market transactions, the group will use that technique. In applying valuation techniques, and to the extent possible, the group maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange and motivated by normal business considerations. In applying valuation techniques, the group uses estimates and assumptions that are consistent with available information about the estimates and assumptions that market participants would use in setting a price for the financial instrument.

Fair value is therefore estimated on the basis of the results of a valuation technique that makes maximum use of market inputs and relies as little as possible on entity-specific inputs. A valuation technique would be expected to arrive at a realistic estimate of the fair value if:

- it reasonably reflects how the market could be expected to price the instrument; and
- the inputs to the valuation technique reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Therefore, a valuation technique:

- will incorporate all relevant factors that market participants would consider in determining a price; and
- is consistent with accepted economic methodologies for pricing financial instruments.

If a published price quotation in an active market does not exist for a financial instrument in its entirety, but active markets exist for its component parts, fair value is determined on the basis of the relevant market prices for the various component parts.

If a rate (rather than a price) is quoted in an active market, the group uses that market-quoted rate as an input into a valuation technique to determine fair value. If the market-quoted rate does not include credit risk or other factors that market participants would include in valuing the instrument, the group adjusts for these factors.

Valuation techniques applied by the group would generally be classified as level 2 or level 3 in terms of the fair value hierarchy prescribed by IFRS 13 Fair value Measurement. The determination of whether an instrument is classified as level 2 or level 3 is dependent on the significance of observable inputs versus unobservable inputs in relation to the fair value of the instrument.

Observable markets

Quoted market prices in active markets are the best evidence of fair value and are used as the basis of measurement, if available. A determination of what constitutes 'observable market data' will necessitate significant judgement. It is the group's belief that 'observable market data' comprises, in the following hierarchical order:

- prices or quotes from an exchange or listed markets in which there are sufficient liquidity and activity;
- proxy observable market data that is proven to be highly correlated and has a logical, economic relationship with the instrument that is being valued; and
- other direct and indirect market inputs that are observable in the marketplace.

Data is considered by the group to be 'observable' if the data is:

- verifiable;
- readily available;
- regularly distributed;
- from multiple independent sources;
- transparent; and
- not proprietary.

Data is considered by the group to be 'market-based' if the data is:

- reliable;
- based on consensus within reasonable narrow, observable ranges;
- provided by sources that are actively involved in the relevant market; and
- supported by actual market transactions.

It is not intended to imply that all of the above characteristics must be present to conclude that the evidence qualifies as observable market data. Judgement is applied based on the strength and quality of the available evidence.

35 FAIR VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

35.1 Valuation of financial instruments (continued)

Inputs to valuation techniques

An appropriate valuation technique for estimating the fair value of a particular financial instrument would incorporate observable market data about the market conditions and other factors that are likely to affect the instrument's fair value. Inputs are selected on a basis that is consistent with the characteristics of the instrument that market participants would take into account in a transaction for that instrument. Principal inputs to valuation techniques applied by the group include, but are not limited to, the following:

- Discount rate: Where discounted-cashflow techniques are used, estimated future cashflows are based on management's best estimates and the discount rate used is a market rate at the reporting date for an instrument with similar terms and conditions.
- The time value of money: The business may use well-accepted and readily observable general interest rates, such as the Johannesburg Interbank Agreed Rate (SA), London Interbank Offered Rate (UK) or an appropriate swap rate, as the benchmark rate to derive the present value of a future cashflow.
- Credit risk: Credit risk is the risk of loss associated with a counterparty's failure or inability to fulfil its contractual obligations. The valuation of the relevant financial instrument takes into account the effect of credit risk on fair value by including an appropriate adjustment for the risk taken.
- Foreign currency exchange prices: Active currency exchange markets exist for most major currencies, and prices are quoted daily on various trading platforms and in financial publications.
- Commodity prices: Observable market prices are available for those commodities that are actively traded on exchanges in SA, London, New York, Chicago and other commercial exchanges.
- Equity prices: Prices (and indices of prices) of traded equity instruments are readily observable on the JSE Ltd or any other recognised international exchange. Present value techniques may be used to estimate the current market price of equity instruments for which there are no observable prices.
- Volatility: Measures of the volatility of actively traded items can be reasonably estimated by the implied volatility in current market prices. The shape and skew of the volatility curve is derived from a combination of observed trades and doubles in the market. In the absence of an active market, a methodology to derive these volatilities from observable market data will be developed and utilised.
- Recovery rates/Loss given default: These are used as an input to valuation models as an indicator of the severity of losses on default. Recovery rates are primarily sourced from market data providers or inferred from observable credit spreads.
- Prepayment risk and surrender risk: Expected repayment patterns for financial assets and expected surrender patterns for financial liabilities can be estimated on the basis of historical data.
- Servicing costs: If the cost of servicing a financial asset or financial liability is significant and other market participants would face comparable costs, the issuer would consider them in determining the fair value of that financial asset or financial liability.
- Dividends: Consistent consensus dividend forecasts adjusted for internal investment analysts' projections can be applied to each share. Forecasts are usually available for the current year plus one additional year. Thereafter, a constant growth rate would be applied to the specific dates into the future for each individual share.
- Inception profit (day-one gain or loss): The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (ie the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (ie without modification or repackaging) or based on a valuation technique, the variables of which include data from observable markets only.

Valuation adjustments

To estimate a reliable fair value, where appropriate, the group applies certain valuation adjustments to the pricing information derived from the above sources. In making appropriate adjustments, the group considers certain adjustments to the modelled price that market participants would make when pricing that instrument. Factors that would be considered include, but are not limited to, the following:

- Own credit on financial liabilities: The carrying amount of financial liabilities held at fair value is adjusted to reflect the effect of changes in the group's own credit spreads. As a result, the carrying value of issued bonds and subordinated-debt instruments that have been designated at fair value through profit or loss is adjusted by reference to the movement in the appropriate spreads. The resulting gain or loss is recognised in profit and loss in the statement of other comprehensive income.
- Counterparty credit spreads: Adjustments are made to market prices when the creditworthiness of the counterparty differs from that of the assumed counterparty in the market price (or parameter).

Valuation techniques by instrument

Other short-term securities and government and other securities

The fair value of these instruments is based on quoted market prices from an exchange dealer, broker, industry group or pricing service, when available. When they are unavailable, the fair value is determined by reference to quoted market prices for similar instruments, adjusted as appropriate for the specific circumstances of the instruments.

Where these instruments include corporate bonds, the bonds are valued using observable active quoted prices or recently executed transactions, except where observable price quotations are not available. Where price quotations are not available, the fair value is determined based on cashflow models, where significant inputs may include yield curves and bond or single-name credit default swap spreads.

Derivative financial instruments

Derivative contracts can either be traded via an exchange or over the counter (OTC) and are valued using market standard models and quoted parameter inputs. Parameter inputs are obtained from pricing services, consensus pricing services and recently occurring transactions in active markets, whenever possible. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures. Other inputs are not observable, but can generally be estimated from historical data or other sources.

Loans and advances
Loans and advances include mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised debt obligations, and other secured and unsecured loans.

In the absence of an observable market for these instruments, the fair value is determined by using internally developed models that are specific to the instrument and that incorporate all available observable inputs. These models involve discounting the contractual cashflows by using an at-inception credit-adjusted zero-coupon curve. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance.

Investment securities
Investment securities include private-equity investments, listed investments and unlisted investments.

The fair value of listed investments is determined with reference to quoted bid prices at the close of business on the relevant securities exchange.

Where private-equity investments are involved, the exercise of judgement is required due to uncertainties inherent in estimating the fair value. The fair value of private-equity is determined using appropriate valuation methodologies that, dependent on the nature of the investment, may include an analysis of the investee's financial position and results, risk profiles and prospects, discounted-cashflow analysis, enterprise value comparisons with similar companies, price/earnings comparisons and earnings multiples. For each investment the relevant methodology is applied consistently over time and may be adjusted for changes in market conditions relative to that instrument.

The fair value of unlisted investments is determined using appropriate valuation techniques that may include, but are not limited to, discounted-cashflow analysis, net asset value calculations and directors' valuations.

Other assets
Short positions or long positions in equities arise in trading activities where equity shares, not owned by the group, are sold in the market to third parties. The fair value of these instruments is determined by reference to the gross short/long position valued at the offer rate.

Investments in instruments that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured, as well as derivatives that are linked to and have to be settled by delivery of such unquoted equity instruments, are measured at fair value, using models considered to be appropriate by management.

Amounts owed to depositors
Amounts owed to depositors include deposits under repurchase agreements, negotiable certificates of deposit and other deposits. These instruments incorporate all market risk factors, including a measure of the group's credit risk relevant for that financial liability when designated at fair value through profit or loss.

The fair value of these financial liabilities is determined by discounting the contractual cashflows using a Nedbank Limited-specific credit-adjusted yield curve that reflects the level at which the group would issue similar instruments at the reporting date. The market risk parameters are valued consistently to similar instruments held as assets.

The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. When the fair value of a financial liability cannot be reliably determined, the liability is recorded at the amount due. Fair value is considered reliably measurable if:

- the variability in the range of reasonable fair value estimates is not significant for that instrument; or
- the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

Investment contract liabilities
The fair value of investment contract liabilities is determined by reference to the fair value of the underlying assets.

Long-term debt instruments
The fair value of long-term debt instruments is determined by reference to published market values on the relevant exchange, when they are:

- available; and
- considered to be trading with sufficient volume and frequency.

When the above conditions are not met, the fair value is determined using models considered to be appropriate by management. As far as possible, inputs to these models will leverage observable inputs for similar instruments with similar coupons and maturities.

Complex instruments
These instruments are valued by using internally developed models that are specific to the instrument and that have been calibrated to market prices. In less active markets, data is obtained from less frequent market transactions, broker quotes and through extrapolation and interpolation techniques. Where observable prices or inputs are not available, other relevant sources of information such as historical data, fundamental analysis of the economics of the transaction and proxy information from similar transactions are used. These models are continually reviewed and assessed to ensure that the best available data is being utilised in the determination of fair value.

Other liabilities
Short positions or long positions in equities arise in trading activities where equity shares, not owned by the group, are sold in the market to third parties. The fair value of these instruments is determined by reference to the gross short/long position valued at the offer rate.

Where the group has assets and liabilities with offsetting market risks, it may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position, as appropriate.

35 FAIR VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

35.1 Valuation of financial instruments (continued)

Summary of principal valuation techniques – level 2 instruments

The following table sets out the group's principal valuation techniques used in determining the fair value of financial assets and financial liabilities classified as level 2 in the fair-value hierarchy:

	Valuation technique	Key inputs
Assets		
Other short-term securities	Discounted cashflow model	Discount rates
Derivative financial instruments	Discounted cashflow model	Discount rates
	Black-Scholes model	Risk-free rate and volatilities
	Multiple valuation techniques	Valuation multiples
Government and other securities	Discounted cashflow model	Discount rates
Loans and advances	Discounted cashflow model	Interest rate curves
Investment securities	Discounted cashflow models	Money market rates and interest rates
	Adjusted net asset value	Underlying price of market-traded instruments
	Dividend yield method	Dividend growth rates
Liabilities		
Derivative financial instruments	Discounted cashflow model	Discount rates
	Black-Scholes model	Risk-free rate and volatilities
	Multiple valuation techniques	Valuation multiples
Amounts owed to depositors	Discounted cashflow model	Discount rates
Provisions and liabilities	Discounted cashflow model	Discount rates
Long-term debt instruments	Discounted cashflow model	Discount rates

Summary of principal valuation techniques – level 3 instruments

The summary of the valuation techniques applicable to those financial assets and financial liabilities classified as level 3 in the fair value hierarchy is set out in note 35.7.

35.1.1 Financial assets

					Held for trading			Designated at fair value through profit or loss			Available for sale		
Rm	Note	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
2014		**736 383**	**592 120**	**144 263**	**4 618**	**51 026**		**4 550**	**79 668**	**1 731**	**2 381**	**289**	
Cash and cash equivalents	14	**25 600**	**25 600**										
Other short-term securities	15	**56 322**	**32 593**	**23 729**		**8 447**		**459**	**14 823**				
Derivative financial instruments	16	**15 644**		**15 644**	**10**	**15 634**							
Government and other securities	17	**26 828**	**10 343**	**16 485**	**4 590**	**639**		**3 084**	**5 519**		**2 381**	**272**	
Loans and advances	18	**603 329**	**518 592**	**84 737**		**26 306**			**58 398**	**33**			
Other assets	20	**5 393**	**4 992**	**401**	**18**			**383**					
Investments in private-equity associates, associate companies and joint arrangements	22	**898**		**898**						**898**			
Investment securities	21	**2 369**		**2 369**				**624**	**928**	**800**		**17**	
2013		684 803	536 714	148 089	4 710	56 703	5	5 852	76 927	1 719	2 027	146	
Cash and cash equivalents	14	30 666	30 666										
Other short-term securities	15	35 004	13 335	21 669		10 376		358	10 935				
Derivative financial instruments	16	13 811		13 811	58	13 753							
Government and other securities	17	31 279	13 932	17 347	4 632	791		4 341	5 556		1 898	129	
Loans and advances	18	566 047	474 932	91 115		31 783			59 299	33			
Other assets	20	4 204	3 849	355	20			335					
Investments in private-equity associates, associate companies and joint arrangements	22	860		860						860			
Investment securities	21	2 932		2 932			5	818	1 137	826	129	17	

Summary of fair value hierarchies Rm	Total financial assets recognised at fair value 2014	2013	Total financial assets classified as level 1 2014	2013	Total financial assets classified as level 2 2014	2013	Total financial assets classified as level 3 2014	2013
Other short-term securities	**23 729**	21 669	**459**	358	**23 270**	21 311		
Derivative financial instruments	**15 644**	13 811	**10**	58	**15 634**	13 753		
Government and other securities	**16 485**	17 347	**10 055**	10 871	**6 430**	6 476		
Loans and advances	**84 737**	91 115			**84 704**	91 082	**33**	33
Other assets	**401**	355	**401**	355				
Investments in private-equity associates, associate companies and joint arrangements	**898**	860					**898**	860
Investment securities	**2 369**	2 932	**624**	947	**945**	1 154	**800**	831
	144 263	148 089	**11 549**	12 589	**130 983**	133 776	**1 731**	1 724

Reconciliation to categorised statement of financial position Rm	Held for trading 2014	2013	Designated at fair value through profit or loss 2014	2013	Available for sale 2014	2013
Level 1	**4 618**	4 710	**4 550**	5 852	**2 381**	2 027
Level 2	**51 026**	56 703	**79 668**	76 927	**289**	146
Level 3		5	**1 731**	1 719		
	55 644	61 418	**85 949**	84 498	**2 670**	2 173

Reconciliation to statement of financial position Rm	Note	2014	2013
Total financial assets	34	**736 383**	684 803
Total non-financial assets	34	**17 061**	14 352
Total assets		**753 444**	699 155

35.1.2 Financial liabilities

Rm	Note	Total financial liabilities	Total financial liabilities recognised at amortised cost	Total financial liabilities recognised at fair value	Held for trading Level 1	Held for trading Level 2	Held for trading Level 3	Designated at fair value through profit or loss Level 1	Designated at fair value through profit or loss Level 2	Designated at fair value through profit or loss Level 3
2014		**694 140**	**559 081**	**135 059**	**772**	**92 810**	**-**	**575**	**40 902**	**-**
Derivative financial instruments	16	**15 479**		**15 479**	**5**	**15 474**				
Amounts owed to depositors	30	**634 623**	**517 985**	**116 638**		**77 201**			**39 437**	
Provisions and other liabilities	31	**8 404**	**7 502**	**902**	**767**	**135**				
Long-term debt instruments	32	**35 634**	**33 594**	**2 040**				**575**	**1 465**	
2013		645 366	475 786	169 580	1 869	74 171	-	2 317	91 223	-
Derivative financial instruments	16	16 588		16 588	12	16 576				
Amounts owed to depositors	30	585 497	438 253	147 244		57 482			89 762	
Provisions and other liabilities	31	10 016	8 046	1 970	1 857	113				
Long-term debt instruments	32	33 265	29 487	3 778				2 317	1 461	

35 FAIR VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

35.1 Valuation of financial instruments (continued)

35.1.2 Financial liabilities (continued)

Summary of fair-value hierarchies	Total financial liabilities recognised at fair value		Total financial liabilities classified as level 1		Total financial liabilities classified as level 2		Total financial liabilities classified as level 3	
Rm	2014	2013	2014	2013	2014	2013	2014	2013
Derivative financial instruments	15 479	16 588	5	12	15 474	16 576		
Amounts owed to depositors	116 638	147 244	–		116 638	147 244		
Provisions and other liabilities	902	1 970	767	1 857	135	113		
Long-term debt instruments	2 040	3 778	575	2 317	1 465	1 461		
	135 059	169 580	1 347	4 186	133 712	165 394	–	–

Reconciliation to categorised statement of financial position	Held for trading		Designated at fair value through profit or loss	
Rm	2014	2013	2014	2013
Level 1	772	1 869	575	2 317
Level 2	92 810	74 171	40 902	91 223
	93 582	76 040	41 477	93 540

Reconciliation to statement of financial position			
Rm	Note	2014	2013
Total financial liabilities	34	694 140	645 366
Total equity and non-financial liabilities	34	59 304	53 789
Total equity and liabilities		753 444	699 155

The tables presented above analyse the financial assets and financial liabilities that are measured at fair value by level of fair-value hierarchy as required by IFRS 13 Fair value Measurement. The levels of the hierarchy are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Valuation techniques using market data, that is either directly or indirectly observable. Various factors influence the availability of observable data and these may vary from product to product and change over time. Factors include, for example, the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the market, the maturity of market modelling and the nature of the transaction (bespoke or generic).

Level 3: Valuation techniques that include significant inputs that are unobservable. To the extent that a valuation is based on inputs that are not market-observable, the determination of the fair value can be more subjective, dependent on the significance of the unobservable inputs to the overall valuation. Unobservable inputs are determined based on the best information available and may include reference to similar instruments, similar maturities, appropriate proxies or other analytical techniques.

35.2 Details of changes in valuation techniques

There have been no changes to valuation techniques during the current year.

35.3 Significant transfers between level 1 and level 2

There were no significant transfers between level 1 and level 2 during the current year.

35.4 Level 3 reconciliation

Assets

Rm	Opening balance at 1 January	Gains in profit for the year	Gains in other comprehensive income for the year	Purchases and issues	Sales and settlements	Transfers from level 2	Transfers to level 2	Closing balance at 31 December
2014								
Held for trading	**5**				**(5)**			
Investment securities	**5**				**(5)**			
Designated as at fair value	**1 719**	**250**		**169**	**(407)**			**1 731**
Investments in private-equity associates, associate companies and joint arrangements	**860**	**42**		**142**	**(146)**			**898**
Loans and advances	**33**							**33**
Investment securities	**826**	**208**		**27**	**(261)**			**800**
Total financial assets classified as level 3	**1 724**	**250**		**169**	**(412)**			**1 731**

Rm	Opening balance at 1 January	Gains/ (losses) in profit for the year	Gains in other comprehensive income for the year	Purchases and issues	Sales and settlements	Transfers from level 2	Transfers to level 2	Closing balance at 31 December
2013								
Held for trading	21	2			(18)			5
Investment securities	21	2			(18)			5
Designated as at fair value	2 077	(45)		259	(572)			1 719
Investments in private-equity associates, associate companies and joint arrangements	1 000	(22)		59	(177)			860
Loans and advances	117				(84)			33
Investment securities	960	(23)		200	(311)			826
Total financial assets classified as level 3	2 098	(43)		259	(590)			1 724

Gains and losses include, but are not limited to, fair value gains or losses, translation gains or losses and trading gains or losses.

Liabilities

Rm	Opening balance at 1 January	(Gains)/ losses in profit for the year	Losses in other comprehensive income for the year	Purchases and issues	Sales and settlements	Transfers from level 2	Transfers to level 2	Closing balance at 31 December
2013								
Held for trading	1			(1)				
Derivative financial instruments	1			(1)				
Total financial liabilities classified as level 3	1			(1)				

Gains and losses include, but are not limited to, fair value gains or losses, translation gains or losses and trading gains or losses.

35 FAIR VALUE MEASUREMENT – FINANCIAL INSTRUMENTS (continued)

35.5 Unrealised gains and losses

The unrealised gains or losses arising on instruments classified as level 3 include the following:

	2014 Rm	2013 Rm
Trading income		2
Private-equity gains/(losses)	**193**	(45)
	193	(43)

35.6 Effect of changes in significant unobservable assumptions to reasonable possible alternatives

The fair value measurement of financial instruments are, in certain circumstances, measured using valuation techniques that include assumptions that are not market observable. Where these scenarios apply, the group performs stress testing on the fair value of the relevant instruments. In performing the stress testing, appropriate levels for the unobservable input parameters are chosen so that they are consistent with prevailing market evidence and in line with the group's approach to valuation control.

The sensitivity of the fair value measurement is determined on the unobservable market inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on the fair value. The following information is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable input parameters and which are classified as level 3 in the fair-value hierarchy. However, it is unlikely in practice that all unobservable parameters would simultaneously be at the extremes of their ranges of reasonably possible alternatives. Furthermore, the disclosure is neither predictive nor indicative of future movements in fair value.

The following table shows the effect on fair value of changes in unobservable input parameters to reasonably possible alternative assumptions:

	Valuation technique	Principle assumption stressed	Stress parameters	Amount recognised in the statement of financial position	Favourable change in value due to stress test	Unfavourable change in value due to stress test
			%	Rm	Rm	Rm
2014						
Assets						
Loans and advances	Discounted cashflows	Credit spreads and discount rates	between (13) and 13	**33**	**3**	**(4)**
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields	Valuation multiples, correlations, volatilities and credit spreads	between (13) and 13	**800**	**76**	**(95)**
Investments in private-equity associates, associate companies and joint arrangements	Discounted cashflows, earnings multiples	Valuation multiples	between (16) and 16	**898**	**124**	**(134)**
Total financial assets classified as level 3				**1 731**	**203**	**(233)**
2013						
Assets						
Loans and advances	Discounted cashflows	Credit spreads and discount rates	between (14) and 14	33	3	(4)
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields	Valuation multiples, correlations, volatilities and credit spreads	between (25) and 25	831	81	(96)
Investments in private-equity associates, associate companies and joint arrangements	Discounted cashflows, earnings multiples	Valuation multiples	between (11) and 11	860	83	(93)
Total financial assets classified as level 3				1 724	167	(193)

35.7 Fair value approximates carrying value

Certain financial instruments of the group are not carried at fair value, including those categorised as held to maturity, loans and receivables, and other financial assets and financial liabilities at amortised cost. The calculation of the fair value of these financial instruments incorporates the group's best estimate of the value at which these financial assets could be exchanged, or financial liabilities transferred, between market participants at the measurement date. The group's estimate of what fair value is does not necessarily represent what it would be able to sell the asset for transfer the respective financial liability for in an involuntary liquidation or distressed sale.

The fair values of these respective financial instruments at the reporting date detailed below are estimated only for the purpose of IFRS disclosure, as follows:

Loans and advances

Loans and advances, recognised in note, that are not recognised at fair value, principally comprise variable-rate financial assets. The interest rates on these variable rate-financial assets are adjusted when the applicable benchmark interest rate changes.

Loans and advances are not actively traded in most markets and it is therefore not possible to determine the fair value of these loans and advances using observable market prices and market inputs. Due to the unique characteristics of the loans and advances portfolio and the fact that there have been no recent transactions involving the disposals of such loans and advances, there is no basis to determine a price that could be negotiated between market participants in an orderly transaction. The group is not currently in the position of a forced sale of such underlying loans and advances and it would therefore be inappropriate to value the loans and advances on a forced-sale basis.

For specifically impaired loans and advances, the carrying value as determined after consideration of the group's IAS 39 credit impairments, is considered the best estimate of fair value.

The group has developed a methodology and model to determine the fair value of the gross exposures for the performing loans and advances measured at amortised cost. This model incorporates the use of average interest rates and projected monthly cashflows per product type. Future cashflows are discounted using interest rates at which similar loans would be granted to borrowers with similar credit ratings and maturities. Methodologies and models are updated on a continuous basis for changes in assumptions, forecasts and modelling techniques. Future forecasts of the group's probability of default (PDs) and loss-given defaults (LGDs) for periods 2014 to 2016 (2012: for periods 2013 to 2015) are based on the latest available internal data and applied to the first three years' projected cashflows. Thereafter, PDs and LGDs are gradually reverted to their long-run averages and are applied to the remaining projected cashflows. Inputs into the model include various assumptions utilised in the pricing of loans and advances. The determination of such inputs is highly subjective and therefore any change to one or more of the assumptions may result in a significant change in the determination of the fair value of loans and advances.

The results of these fair value calculations are summarised below:

	2014	2013
Positive scenario (%)	**0,28**	(0,88)
Base scenario (%)	**(0,09)**	(1,27)
Mild-risk scenario (%)	**(0,62)**	(1,83)

The table above indicates the differential between the fair value of performing loans and advances and the carrying value thereof. The scenarios are based on the group's assessment of future economic developments. Positive percentages (without brackets) indicate that the fair value of the performing loans and advances is greater than the carrying value. Similarly, negative percentages (included in brackets) indicate that the fair value of the performing loans and advances is less than its carrying value.

In the current year under review, the current carrying value of the loans and advances is greater than the calculated fair value. Loans and advances granted in prior periods, which are still performing, were priced at lower contractual interest rates compared to the higher pricing that loans and advances are currently contracted at within current circumstances. The estimated cashflows on the prior period underlying loans and advances are thus discounted at a higher rate to determine the fair value, compared to the lower contractual rate at inception date, resulting in a lower fair value than the current carrying value.

The group is of the opinion that the carrying value of loans and advances approximates fair value. Loans and advances would be classified into level 3 of the fair-value hierarchy.

Government and other securities

The fair value of government and other securities are determined based on available market prices and directors' valuations where appropriate. See note 17 for further detail. Government and other securities would be classified into level 1 (available market prices) and level 2 (directors' valuation) of the fair-value hierarchy.

Other financial assets (excluding government and other securities and loans and advances) and financial liabilities (excluding amounts owed to depositors and long-term debt instruments)

The carrying values of cash and cash equivalents, other assets, mandatory deposits with central banks and provisions and other liabilities are considered a reasonable approximation of their respective fair values, as they are either short term in nature or are repriced to current market rates at frequent intervals. Other financial assets and other financial liabilities would be classified into level 1 of the fair value hierarchy.

Cash and cash equivalents and mandatory deposits with central banks would be classified into level 1 of the fair-value hierarchy. Other assets and provisions and other liabilities would be classified into level 3 of the fair-value hierarchy.

Amounts owed to depositors

The group is of the opinion that the carrying value of variable-rate amounts owed to depositors approximates fair value. Amounts owed to depositors would be classified into level 3 of the fair-value hierarchy.

Long-term debt instruments

The group is of the opinion that the carrying value of variable-rate long-term debt instruments approximates fair value. Long-term debt instruments would generally be classified into level 1 or level 2 of the fair-value hierarchy.

36 FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

The group has satisfied the criteria for designation of financial instruments as at fair value through profit or loss in terms of the accounting policies.

Various fixed-rate advances and liabilities are entered into by the group. The overall interest rate risk of the group is economically hedged by way of interest rate swaps and managed by the Group ALCO. The interest rate risk is then traded to the market through the central trading desk.

The swaps and frontdesk trading instruments meet the definition of 'derivatives', and are measured at fair value in terms of IAS 39. Fixed-rate advances and liabilities, however, do not meet this definition. Therefore, to avoid any accounting mismatch of holding the advances at amortised cost and the hedging instruments at fair value, the advances and liabilities are designated as at fair value through profit or loss and are held at fair value.

Various instruments are designated as at fair value through profit or loss, which is consistent with the group's documented risk management or investment strategy. The fair value of the instruments is managed and reviewed on a regular basis by the risk/investment functions of the group. The risk of the portfolio is measured and monitored on a fair value basis.

36.1 Financial assets designated as at fair value through profit or loss

	Maximum exposure to credit risk		Change in fair value due to change in credit risk[1]			
			Current period		Cumulative	
Rm	2014	2013	2014	2013	2014	2013
Negotiable certificates of deposit purchased						
Treasury bills	**15 282**	11 293				
Government guaranteed	**2 794**	3 612				
Other dated securities	**5 809**	6 285				
Mortgage loans	**20 785**	19 698	**2**	26	**(2)**	(4)
Instalment credit	**19 030**	17 169				
Leases and debentures	**44**	26				
Preference shares	**2 012**	2 522				
Loans and advances (secured and unsecured)	**5 588**	7 400				
Foreign correspondents	**3 990**	5 837				
Other loans	**6 982**	6 680				
Debtors and accruals	**383**	335				
Private-equity associates, associate companies and joint arrangements	**898**	860				
Listed investments	**624**	818				
Unlisted investments	**1 728**	1 963				
	85 949	84 498	**2**	26	**(2)**	(4)

[1] *Positive amounts represent gains while negative amounts represent losses. See note 18.1.*

Nedbank Limited has estimated the change in credit risk as being the amount arising from the change in fair value of the financial instrument that is not attributable to changes in market conditions that give rise to market risk. Individual credit spreads for loans or receivables that have been designated as at fair value through profit or loss are determined at inception of the deal. The credit spread is calculated as the difference between the benchmark interest rate and the interest rate charged to the client. Subsequent changes in the benchmark interest rate and the credit spread give rise to changes in fair value in the financial instrument. Loans and advances are reviewed for observable changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. No credit derivatives are used to hedge the credit risk on any of the financial assets designated as at fair value through profit or loss.

A breakdown of the financial assets which are designated as at fair value through profit or loss can be found in note 34. A detailed explanation of how each financial asset is valued can be found in note 35.

36.2 Financial liabilities designated as at fair value through profit or loss

Rm	Fair value	Contractually payable at maturity	Change in fair value due to change in credit risk[1] Current period	Cumulative
2014				
Long-term debt instruments	**2 040**	**1 909**	**38**	**48**
Call and term deposits	**20 964**	**20 955**	**(16)**	**(39)**
Foreign currency liabilities	**8 060**	**8 061**		
Negotiable certificates of deposit	**10 413**	**10 408**	**(16)**	**(54)**
	41 477	**41 333**	**6**	**(45)**
2013				
Long-term debt instruments	3 778	3 645	(6)	10
Call and term deposits	36 079	36 073	1	(23)
Fixed deposits	2 229	2 229		
Foreign currency liabilities	8 604	8 603		
Negotiable certificates of deposit	42 850	42 812	(11)	(38)
	93 540	93 362	(16)	(51)

[1] *Positive amounts represent losses while negative amounts represent gains.*

The change in fair value due to credit risk has been determined as the difference between fair values determined using a credit-adjusted liability curve and a risk-free liability curve.

The curves are constructed using a standard 'bootstrapping' process to derive a zero-coupon yield curve. The credit-adjusted curve was based on offer rates of negotiable certificates of deposit and promissory notes with maturity periods of up to five years, and thereafter the offer rates of issued Nedbank Limited bonds are applied.

37 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with the requirements of IFRS 7 Financial Instruments: Disclosures, the table below sets out the impact of:

- recognised financial instruments that are set off in the statement of financial position in accordance with the requirements of IAS 32 Financial Instruments: Presentation; and
- financial instruments that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions that did not qualify for presentation on a net basis.

The group reports financial assets and financial liabilities on a net basis in the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Certain master netting arrangements may not meet the criteria for offsetting in the statement of financial position because:

- these agreements create a right of setoff that is enforceable only following an event of default, insolvency or bankruptcy; and
- the group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Master netting arrangements and similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below unless they are offset in the statement of financial position.

37 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

2014

	Effects of netting on the statement of financial position			Related amounts not set off in the statement of financial position				
Rm	**Gross amounts**	**Amounts set off in the statement of financial position in accordance with IAS 32**	**Net amounts included in the statement of financial position[1]**	**Amounts that may be netted off on the occurrence of a future event**	**Financial collateral**	**Net amounts reflecting the effect of master netting arrangements**	**Amounts not subject to IFRS 7 offsetting disclosure[2]**	**Total amounts recognised in the statement of financial position**
Derivative financial instruments	**(2 812)**	**2 787**	**(25)**	**25**			**190**	**165**
– Assets			**15 395**				**249**	**15 644**
– Liabilities			**(15 420)**				**(59)**	**(15 479)**
Assets excluding derivative financial instruments	**5 386**	**(2 874)**	**2 512**	**–**	**–**	**2 512**	**600 817**	**603 329**
– Loans and advances	**5 386**	**(2 874)**	**2 512**			**2 512**	**600 817**	**603 329**
Liabilities excluding derivative financial instruments	**(88 695)**	**29 516**	**(59 179)**	**–**	**–**	**(59 179)**	**(575 444)**	**(634 623)**
– Amounts owed to depositors	**(88 695)**	**29 516**	**(59 179)**			**(59 179)**	**(575 444)**	**(634 623)**

2013

	Effects of netting on the statement of financial position			Related amounts not set off in the statement of financial position				
Rm	Gross amounts	Amounts set off in the statement of financial position in accordance with IAS 32	Net amounts included in the statement of financial position[1]	Amounts that may be netted off on the occurrence of a future event	Financial collateral	Net amounts reflecting the effect of master netting arrangements	Amounts not subject to IFRS 7 offsetting disclosure[2]	Total amounts recognised in the statement of financial position
Derivative financial instruments[3]	(3 320)		(3 320)	509		(2 811)	543	(2 777)
– Assets			12 627				1 184	13 811
– Liabilities			(15 947)				(641)	(16 588)
Assets excluding derivative financial instruments[3]	2 885	(831)	2 054	–	–	2 054	563 993	566 047
– Loans and advances	2 885	(831)	2 054			2 054	563 993	566 047
Liabilities excluding derivative financial instruments[3]	(71 322)	16 187	(55 135)	–	–	(55 135)	(530 362)	(585 497)
– Amounts owed to depositors	(71 322)	16 187	(55 135)			(55 135)	(530 362)	(585 497)

[1] *Includes the net amount of financial assets and financial liabilities where offsetting has been applied in terms of IAS 32 and financial instruments that are subject to master netting agreements but where no offsetting has been applied. Excludes financial instruments that are neither subject to setoff nor master netting agreements.*

[2] *Includes financial instruments that are neither subject to setoff nor master netting agreements.*

[3] *During 2014 the group enhanced its accounting processes and management information and expanded the disclosure relating to the offsetting of financial assets and liabilities in its consolidated financial statements. This expanded disclosure resulted in a restatement to 2013 comparative information.*

38 CREDIT ANALYSIS OF OTHER SHORT-TERM SECURITIES, AND GOVERNMENT AND OTHER SECURITIES

Credit ratings

	Investment grade		Subinvestment grade		Not rated		Total	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Other short-term securities	**54 895**	34 122	**1 333**	795	**94**	87	**56 322**	35 004
Negotiable certificates of deposit	**7 213**	8 944	**64**				**7 277**	8 944
Treasury bills and other	**47 682**	25 178	**1 269**	795	**94**	87	**49 045**	26 060
Government and other securities	**25 138**	29 668	**1 294**	1 611	**396**		**26 828**	31 279
Government and government-guaranteed securities	**13 220**	16 887	**600**	437	**19**		**13 839**	17 324
Other dated securities	**11 918**	12 781	**694**	1 174	**377**		**12 989**	13 955
	80 033	63 790	**2 627**	2 406	**490**	87	**83 150**	66 283

All debt securities that are purchased by the group are rated using an internal rating system, being the Nedbank Group Rating (NGR) scale. The group requires that all investments be rated using the NGR scale to ensure that credit risk is measured consistently and accurately across the group. This ensures compliance with the group's policy surrounding the rating of investments. The NGR scale has been mapped to the Standard & Poor's credit rating system. According to the NGR scale investment grade can be equated to a Standard & Poor's rating of above BBB-. All government and other short-term securities are current and not impaired. Investment grade includes credit ratings from NGR01 to NGR11 and subinvestment grade includes credit ratings from NGR12 to NGR25.

39 LIQUIDITY GAP

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Non-deter-mined	Total
2014							
Cash and cash equivalents (including mandatory reserve deposits with central banks)	**25 280**	**220**	**100**				**25 600**
Other short-term securities	**24 408**	**13 593**	**15 974**	**2 347**			**56 322**
Derivative financial instruments	**2 746**	**555**	**1 181**	**5 199**	**5 963**		**15 644**
Government and other securities	**550**	**290**	**3 855**	**16 609**	**5 524**		**26 828**
Loans and advances	**127 412**	**21 759**	**39 889**	**255 399**	**158 870**		**603 329**
Other assets						**25 721**	**25 721**
	180 396	**36 417**	**60 999**	**279 554**	**170 357**	**25 721**	**753 444**
Total equity						**55 980**	**55 980**
Derivative financial instruments	**1 962**	**406**	**902**	**4 862**	**7 347**		**15 479**
Amounts owed to depositors	**460 177**	**46 894**	**47 966**	**68 894**	**10 692**		**634 623**
Provisions and other liabilities						**11 728**	**11 728**
Long-term debt instruments	**1 354**	**1 576**	**5 706**	**22 328**	**4 670**		**35 634**
	463 493	**48 876**	**54 574**	**96 084**	**22 709**	**67 708**	**753 444**
Net liquidity gap	**(283 097)**	**(12 459)**	**6 425**	**183 470**	**147 648**	**(41 987)**	**-**
2013							
Cash and cash equivalents (including mandatory reserve deposits with central banks)	30 666						30 666
Other short-term securities	11 408	11 020	9 946	2 630			35 004
Derivative financial instruments	1 288	953	1 240	5 407	4 923		13 811
Government and other securities	4 452	791	3 063	18 251	4 722		31 279
Loans and advances	122 260	21 277	38 252	231 472	152 786		566 047
Other assets						22 348	22 348
	170 074	34 041	52 501	257 760	162 431	22 348	699 155
Total equity						51 675	51 675
Derivative financial instruments	1 607	937	1 101	5 553	7 390		16 588
Amounts owed to depositors	409 233	47 331	53 758	69 770	5 405		585 497
Provisions and other liabilities						12 130	12 130
Long-term debt instruments	3 106	454	1 082	25 002	3 621		33 265
	413 946	48 722	55 941	100 325	16 416	63 805	699 155
Net liquidity gap	(243 872)	(14 681)	(3 440)	157 435	146 015	(41 457)	-

This note has been prepared on a contractual maturity basis.

40 CONTRACTUAL MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

Rm	Statement of financial position amount	<3 months	>3 months <6 months	>6 months <1 year	>1 year < 5 years	>5 years	Non-determinable maturity	Total
2014								
Long-term debt instruments	**35 634**	**1 891**	**2 026**	**6 934**	**27 312**	**5 298**		**43 461**
Amounts owed to depositors	**634 623**	**463 512**	**49 126**	**50 916**	**75 009**	**10 905**	**–**	**649 468**
Current accounts	**62 385**	**62 386**						**62 386**
Savings deposits	**9 649**	**9 650**						**9 650**
Other deposits and loan accounts	**453 350**	**336 760**	**31 436**	**31 209**	**50 987**	**10 905**		**461 297**
Foreign currency liabilities	**29 807**	**25 313**	**2 315**	**1 160**	**1 020**			**29 808**
Negotiable certificates of deposit	**66 849**	**16 808**	**15 375**	**18 547**	**23 002**			**73 732**
Deposits received under repurchase agreements	**12 583**	**12 595**						**12 595**
Derivative financial instruments – liabilities	**15 479**	**1 962**	**406**	**902**	**4 862**	**7 347**		**15 479**
Provisions and other liabilities	**11 728**						**11 728**	**11 728**
	697 464	**467 365**	**51 558**	**58 752**	**107 183**	**23 550**	**11 728**	**720 136**
Guarantees on behalf of clients	**22 807**	**22 807**						**22 807**
Confirmed letters of credit and discounting transactions	**3 248**	**3 248**						**3 248**
Unutilised facilities and other	**102 968**	**102 968**						**102 968**
	129 023	**129 023**	**–**	**–**	**–**	**–**	**–**	**129 023**
2013								
Long-term debt instruments	33 265	3 641	810	2 145	30 215	4 117		40 928
Amounts owed to depositors	585 497	412 464	49 922	56 885	75 018	5 538	–	599 827
Current accounts	56 139	56 105	5		30			56 140
Savings deposits	9 408	9 408						9 408
Other deposits and loan accounts	409 320	300 554	22 546	35 044	53 481	5 538		417 163
Foreign currency liabilities	13 799	12 195		1 605				13 800
Negotiable certificates of deposit	84 573	21 937	27 371	20 236	21 507			91 051
Deposits received under repurchase agreements	12 258	12 265						12 265
Derivative financial instruments – liabilities	16 588	1 607	937	1 101	5 553	7 390		16 588
Provisions and other liabilities	12 130						12 130	12 130
	647 480	417 712	51 669	60 131	110 786	17 045	12 130	669 473
Guarantees on behalf of clients	35 013	35 013						35 013
Confirmed letters of credit and discounting transactions	3 178	3 178						3 178
Unutilised facilities and other	93 670	93 670						93 670
	131 861	131 861	–	–	–	–	–	131 861

Provisions and other liabilities are included in this table in order to provide a reconciliation with the statement of financial position.

41 HISTORICAL VALUE AT RISK (99%, ONE-DAY) BY RISK TYPE

	2014				2013			
Rm	**Average**	**Minimum**	**Maximum**	**Year-end**	Average	Minimum	Maximum	Year-end
Foreign exchange	**3,7**	**0,6**	**10,7**	**0,9**	2,2	0,6	9,4	1,4
Interest rate	**7,7**	**5,2**	**12,5**	**5,6**	4,6	2,6	10,9	10,9
Credit	**3,8**	**2,7**	**5,3**	**5,3**	3,2	2,4	4,7	2,8
Commodity	**0,3**		**0,9**	**0,9**	0,4		3,0	0,1
Diversification	**(5,7)**			**(3,8)**	(3,8)			(4,8)
Total VAR exposure	**9,8**	**6,7**	**14,8**	**8,9**	6,5	3,6	11,8	10,5

The Worldclass at Managing Risk section contains information on the group trading book VAR and the comparison of trading VAR.

42 INTEREST RATE REPRICING GAP

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Trading and non-rate	Total
2014							
Total assets	**498 952**	**22 551**	**22 788**	**44 265**	**15 880**	**149 008**	**753 444**
Total equity and liabilities	**471 251**	**26 122**	**26 798**	**16 317**	**4 289**	**208 667**	**753 444**
Interest rate hedging activities	**24 443**	**7 628**	**1 215**	**(25 199)**	**(8 087)**		**–**
Repricing profile	**52 144**	**4 057**	**(2 795)**	**2 749**	**3 504**	**(59 659)**	**–**
Cumulative repricing profile	**52 144**	**56 201**	**53 407**	**56 155**	**59 659**		
Expressed as a percentage of total assets	**6,9**	**7,5**	**7,1**	**7,5**	**7,9**		
2013							
Total assets	488 123	18 351	7 015	44 187	18 050	123 429	699 155
Total equity and liabilities	439 867	34 424	26 455	17 082	3 816	177 511	699 155
Interest rate hedging activities	(9 091)	27 391	18 045	(24 486)	(11 859)		–
Repricing profile	39 165	11 318	(1 395)	2 619	2 375	(54 082)	–
Cumulative repricing profile	39 165	50 483	49 088	51 707	54 082		
Expressed as a percentage of total assets	5,6	7,2	7,0	7,4	7,7		

The Worldclass at Managing Risk section contains information on interest rate risk in the banking book.

43 SECURITISATIONS

Nedbank Limited uses securitisation primarily as a funding diversification tool and to add flexibility in mitigating structural liquidity risk. The group currently has three active traditional securitisation transactions:

- Synthesis Funding Ltd (Synthesis), an asset-backed commercial paper (ABCP) programme launched in 2004;
- GreenHouse Funding (RF) Ltd, Series 2 (GreenHouse), a residential mortgage-backed securitisation programme;
- GreenHouse Funding III (RF) Ltd, Series 3 (GreenHouse 3), a residential mortgage-backed securitisation programme; and
- Precinct Funding 1 (RF) Ltd (Precinct), a commercial mortgage-backed securitisation programme.

Synthesis primarily invests in long-term rated bonds and offers capital market funding to SA corporates. These assets are funded through the issuance of short-dated investment-grade commercial paper to institutional investors. All the commercial paper issued by Synthesis is assigned the highest short-term RSA local-currency credit rating by Fitch, and is listed on the JSE Ltd.

Greenhouse 1 securitised R2bn of home loans originated Nedbank Retail in 2007. The notes issued to finance the purchase of the home loan portfolio were assigned credit ratings by both Fitch and Moody's and listed on the JSE Ltd.

Greenhouse 1 was restructured and refinanced on 19 November 2012 as a static amortising structure. The proceeds from the refinance of this transaction, through the issuance of new notes and subordinated loans, was utilised to repay the R1,3bn existing notes and subordinated loans upon their scheduled maturity, and to acquire additional home loans. The senior notes, which are rated by Fitch and listed on the JSE Ltd, were placed with third party investors and the junior notes and subordinated loans retained by the group. The home loans transferred to Greenhouse have continued to be recognised as financial assets.

Greenhouse III, a second standalone RMBS programme was implemented during 2014. In anticipation of issuance of notes to the capital markets, a portfolio of R962m eligible residential mortgages originated by Nedbank Retail were sold to the vehicle and funded by way of a warehousing facility from Nedbank. It is anticipated that the notes will be issued in 2015.

Precinct is a commercial mortgage-backed securitisation programme. The originator, seller and servicer of the commercial property loan portfolio is Nedbank Corporate Property Finance, the market leader in commercial property finance in South Africa, with a portfolio of R109,1bn.

The Precinct structure takes the form of a static pool of small commercial property loans with limited substitution and redraws/further advance capabilities. The pool of assets at 31 December 2012 (provisional pool of assets prior to inception) had an outstanding balance of R2,5bn with an open market value of the associated properties of R5,3bn.

Precinct has issued notes rated by Moody's Investors Service and listed on the JSE Ltd. The A and B notes were placed to third party investors and the junior notes and subordinated loan retained by the group.

The following table shows the carrying amount of securitised assets, stated at the amount of the group's continuing involvement where appropriate, together with the associated liabilities, for each category of asset in the statement of financial position:[1]

Rm	2014 Carrying amount of assets	2014 Associated liabilities	2013 Carrying amount of assets	2013 Associated liabilities
Loans and advances to customers				
– Residential mortgage loans	**2 520**	**2 743**	1 762	1 994
Less: Impairments	**(24)**		(26)	
– Commercial mortgage loans	**1 586**	**2 309**	1 959	2 551
Less: Impairments	**(4)**		(6)	
Other financial assets				
Corporate and bank paper	**1 989**		2 809	
Other securities	**1 295**		2 286	
Commercial paper		**3 285**		5 096
Total	**7 362**	**8 337**	8 784	9 641

This table presents the gross balances within the securitisation schemes and does not reflect any eliminations of intercompany and cash balances held by the various securitisation vehicles.

[1] *The value of any derivative instruments taken out to hedge any financial asset or liability is adjusted against such instrument in this disclosure.*

44 FOREIGN CURRENCY CONVERSION GUIDE

Monetary figures in these financial statements are expressed in SA rand to the nearest million. The approximate value of the SA rand as at 31 December against the following currencies was:

	2014 Actual	2013 Actual	2014 Average	2013 Average
United States dollar	**0,08638**	0,09524	**0,09202**	0,10289
Pound sterling	**0,05544**	0,05759	**0,05593**	0,06590
Euro	**0,07108**	0,06915	**0,06973**	0,07752

45 CONTINGENT LIABILITIES AND UNDRAWN FACILITIES

	2014 Rm	2013 Rm
Guarantees on behalf of clients	**22 807**	35 013
Letters of credit and discounting transactions	**3 248**	3 178
Irrevocable unutilised facilities and other	**102 968**	93 670
	129 023	131 861

The group, in the ordinary course of business, enters into transactions that expose it to tax, legal and business risks. Provisions are made for known liabilities that are expected to materialise (refer to note 40). Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are reported as contingent liabilities. This is in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

There are a number of legal or potential claims against Nedbank Limited and its subsidiary companies, the outcome of which cannot at present be foreseen.

As disclosed in the group's 2009 annual financial statements, the largest of these potential actions are claims in the High Court against Nedbank Limited by certain shareholders in Pinnacle Point Group Ltd, alleging that Nedbank Limited had a legal duty of care to them arising from a share swap transaction. In 2013 two of these claims of R147m and of R802m were dismissed by the North Gauteng High Court. The only claim remaining is for R355m.

Originally these shareholders and others lodged proceedings with the Securities Regulation Panel (SRP) for an order declaring that an affected transaction took place. The SRP ruled that no affected transaction took place. The last remaining claimant brought an application to the South Gauteng High Court for the review of the SRP ruling. This application was dismissed with costs on 15 November 2013. The applicant filed a notice to apply for leave to appeal this judgment, and on 16 July 2014 the Supreme Court of Appeal ruled in Nedbank's favour by refusing the application.

During 2011 further actions were instituted against Nedbank Limited by other stakeholders for R210m, and by Absa Bank Limited for R773m. In both these actions Nedbank have filed exceptions against the claims. On 25 August 2014, the R210m claim was withdrawn.

Nedbank Limited and its legal advisers remain of the opinion that the remaining claims are ambitious, and that the remaining claimants will have great difficulty succeeding.

46 COMMITMENTS

46.1 Capital expenditure approved by directors

	2014 Rm	2013 Rm
Contracted	**1 292**	247
Not yet contracted	**1 278**	856
	2 570	1 103

Funds to meet capital expenditure commitments will be provided from group resources. In addition, capital expenditure is incurred in the normal course of business throughout the year.

46.2 Operating lease commitments

Companies in the group have entered into leases over fixed property, furniture and other equipment for varying periods. The group is a major lessor of properties, which are subject to individual contracts that specify the group's option to renew leases, escalation clauses and purchase options, if applicable. Due to the large number of lease agreements entered into by the group, this information has not been provided in the annual financial statements, but is available from the group on request. The following are the minimum lease payments under non-cancellable leases:

	2015 Rm	2015 - 2019 Rm	Beyond 2019 Rm
2014			
Land and buildings[1]	**690**	**1705**	**940**
Furniture and equipment	**286**	**173**	
	976	**1878**	**940**

	2014 Rm	2014 - 2018 Rm	Beyond 2018 Rm
2013			
Land and buildings[1]	**664**	1 663	1 020
Furniture and equipment	**246**	410	2
	910	2 073	1 022

[1] *The group may from time to time enter into subleases of properties where it is the lessee. These subleases are considered to be immaterial in the context of the group's overall leasing arrangements.*

The terms of renewal and escalation clauses are as follows:

The majority of material leases entered into by the group include an option to renew the lease. If the rental for the renewal period has not been agreed on or determined by the commencement date of the renewal period, the tenant must continue to pay the existing monthly rental. Once the rental is determined, cumulative adjustments will be made to the amount payable for the following month. Escalation clauses for major leases entered into by the group range between 6% and 10% per annum. For all major lease agreements entered into, there is no requirement to pay contingent rent or purchase options.

46.3 Commitments under derivative instruments

The group enters into option contracts, financial futures contracts, forward-rate and interest-rate swap agreements and other financial agreements in the normal course of business (note 16).

47 COLLATERAL

47.1 Collateral pledged

The group has pledged government and other securities (note 17) and negotiable certificates of deposit (note 15) amounting to R11 525m (2013: R12 258m) as collateral for deposits received under repurchase agreements. These amounts represent assets that have been transferred, but that do not qualify for derecognition under IAS 39.

These transactions are entered into under terms and conditions that are standard industry practice to securities borrowing and lending activities.

47.2 Collateral held to mitigate credit risk

Credit risk mitigation refers to the actions that can be taken by the group to manage its exposure to credit risk so as to align such exposure to its risk appetite. This action can be proactive or reactive and the level of mitigation that a bank desires may be influenced by external factors such as the economic cycle or internal factors such as a change in risk appetite.

References to credit risk mitigation normally focus on the taking of collateral as well as the management of such collateral. While collateral is an essential component of credit risk mitigation there are a number of other methods used for mitigating credit risk. The group's credit risk policy acknowledges the role to be played by credit risk mitigation in the management of credit risk, but emphasises that collateral on its own is not necessarily a justification for lending. The primary consideration for any lending opportunity should rather be the borrower's financial position and ability to repay the facility from its own resources and cashflow.

The group generally segregates collateral received into the following two classes:

(i) Financial collateral:

The group takes financial collateral to support credit exposures in the trading book. This includes cash and debt securities in respect of derivative transactions.

These transactions are entered into under terms and conditions that are standard industry practice to securities borrowing and lending activities.

(ii) Non-financial collateral:

In secured financial transactions, the group takes other physical collateral to recover outstanding exposure in the event of the borrower being unable or unwilling to fulfil its obligations. This includes mortgages over property (both residential and commercial), liens over business assets (including, but not limited to, plant, vehicles, aircraft, inventories and trade debtors) and guarantees from parties other than the borrower.

Should a counterparty be unable to settle its obligations, the group takes possession of collateral as full or part settlement of such amounts. In general, the group seeks to dispose of such property and other assets that are not readily convertible into cash as soon as the market for the relevant asset permits.

The group monitors the concentration levels of collateral to ensure that it is adequately diversified. In particular, the following collateral types are common in the marketplace:

(i) Retail portfolio:

- mortgage lending secured by mortgage bonds over residential property;
- instalment credit transactions secured by the assets financed; and
- overdrafts that are either unsecured or secured by guarantees, suretyships or pledged securities.

(ii) Wholesale portfolio:

- commercial properties are supported by the property financed and a cession of the leases;
- instalment credit type of transactions that are secured by the assets financed;
- working capital facilities when secured usually by either a claim on specific assets (fixed assets, inventories or trade debtors) or other collateral such as guarantees;
- term and structured lending which usually relies on guarantees or credit derivatives (where only internationally recognised and enforceable agreements are used); and
- credit exposure to other banks where the risk is commonly mitigated through the use of financial control and netting agreements.

The valuation and management of collateral across all business units of the group are governed by the Group Credit Policy.

Management considers collateral held in the retail portfolio to be homogenous by nature and therefore more reliably identifiable. Generally, valuations in respect of mortgage portfolios are updated using statistical index models, published data by service providers are used for motor vehicles and physical inspection is performed for other types of collateral. Physical valuations are performed six monthly on the defaulted book. At 31 December 2014 management considered R137 042m (2013: R132 268m) to be a reasonable estimate of the collateral held in the retail portfolio.

Management considers collateral held in the wholesale portfolio to be non-homogenous and often exhibiting illiquid characteristics and therefore valuing collateral of this nature requires a significant level of judgement. Collateral of this nature is valued at the inception of a transaction and at least annually during the life of the transaction usually as part of the facility review, which includes a review of the security structure and covenants to ensure that proper title is retained over the relevant collateral. At 31 December 2014 management considered R173 627m to be a reasonable estimate of the collateral held in the wholesale portfolio.

A further consideration with regard to the valuation and management of collateral is that when credit intervention is required, or in the case of default, all items of collateral relating to that particular client portfolio are immediately revalued. In such instances physical inspection by an expert valuer is required. This process also ensures that an appropriate impairment is evaluated timeously.

The group does not hold any collateral (financial or non-financial) that it is permitted to sell or repledge in the absence of defaulting by its owner.

47.3 Collateral taken possession of and recognised in the statement of financial position

Included in properties in possession (note 18.1) is an amount of R241m (2013: R555m), which represents assets the group has acquired during the year by taking possession of collateral held as security.

48 MANAGED FUNDS

	2014 Rm	2013 Rm
48.1 Fair value of funds under management		
SA unit trusts	**128 394**	115 235
	128 394	115 235

48.2 Reconciliation of movement in funds under management

	SA unit trusts Rm
Balance at 31 December 2012	87 250
Inflows	162 320
Outflows	(145 606)
Mark-to-market value adjustment	11 271
Balance at 31 December 2013	**115 235**
Inflows	**204 436**
Outflows	**(197 862)**
Mark-to-market value adjustment	**6 585**
Balance at 31 December 2014	**128 394**

The group, through a number of subsidiaries, operates unit trusts. Commissions and fees earned in respect of trust and management activities performed are included in the consolidated statement of comprehensive income as non-interest revenue.

49 SHARE-BASED PAYMENTS

Nedbank Group Limited shares, share options over Nedbank Group Limited shares and equity instruments in respect of Nedbank Group Limited shares are granted to employees as part of their remuneration package as services are rendered, as well as to clients, business partners and affinity groups as an incentive to retain business and develop growth within the group. The following are the share and share option schemes that have been in place during the year. All schemes are equity-settled at group level, except the Nedbank UK schemes and the Nedbank Wealth Management International schemes, both of which are cash-settled.

As the group cannot estimate reliably the fair value of services received nor the value of additional business received, the group rebuts the presumption that such services and business can be measured reliably. The group therefore measures their fair value by reference to the fair value of the shares, share options or equity instruments granted, in line with the group's accounting policy. The fair value of such shares, share options and equity instruments is measured at the grant date utilising the Black-Scholes valuation model.

49.1 Description of arrangements

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
Traditional employee schemes				
Nedbank Group (2005) Share Option and Restricted Share Scheme	Nedbank Group (2005) Share Scheme Trust	Restricted Shares are granted to key personnel to motivate senior employees to remain with the group. The granting of Restricted Shares is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.	2012, 2013 and 2014 grants: Three years' service and achievement of performance targets based on average return on equity and Nedbank Group Limited share price performance against the financial index. Where the performance target is not met, 50% will vest, provided that the three years' service has been achieved.	3 years
Nedbank Group (2005) Matched Share Scheme	Nedbank Group (2005) Share Scheme Trust	All employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Three years' service and achievement of Nedbank Group Limited performance target. Where this performance targets is not met, 50% will vest provided that the three years' service has been achieved.	3 years

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
Nedbank UK long term incentive plan (LTIP)	n/a	Employees who perform services in the United Kingdom on behalf of the group will be considered for participation in the UK LTIP. Selected employees will be granted share appreciation rights (SARs). SARs are similar to options in that SARs are granted at a predetermined exercised price vesting and expiry date. When the participant elects to exercise SARs, the employer settles the difference between the current market price and the exercise price in cash.	Completion of three years' service, from grant date subject to corporate performance targets being met.	3 years
Nedbank UK Matched Scheme	n/a	All UK employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Completion of three years' service, from grant date subject to corporate performance targets being met.	3 years
Nedbank Wealth Management International long term incentive plan (LTIP)	n/a	Restricted Shares are granted to key Nedbank Wealth Management International personnel to motivate senior employees to remain with the group. The granting of Restricted Shares is based on job level, merit and performance, and is entirely at the discretion of the trustees acting on recommendations of executive management. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.	Completion of three years' service, from grant date subject to corporate performance targets being met.	3 years
Nedbank Wealth Management International Matched Scheme	n/a	All Nedbank Wealth Management International employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Completion of three years' service, from grant date subject to corporate performance targets being met.	3 years
Nedbank Eyethu BEE schemes – Employees				
Black Executive Scheme	Nedbank Eyethu Black Executive Trust	Restricted shares and share options were granted to certain black employees at a senior-management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which one third of the shares become unrestricted and one third of the options vest.	7 years
Black Management Scheme	Nedbank Eyethu Black Management Trust	Restricted shares and share options were granted to certain black employees at a middle- and senior-management level. The beneficial ownership of the shares resides with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which one third of the shares become unrestricted and one third of the options vest.	7 years
Nedbank Swaziland Sinakekelwe Schemes – BEE and LTIP				
Swaziland Broad-based Employee Scheme	Nedbank Sinakekelwe Trust Broad-based Employee Scheme	Restricted shares were granted to qualifying non-managerial employees who do not participate in any other incentive schemes within the group. The beneficial ownership of the shares lies with the participants, including dividend rights.	No dealing in these shares during the restricted period of five years.	5 years

49 SHARE-BASED PAYMENTS (continued)

49.1 Description of arrangements (continued)

Scheme	Trust/Special-purpose vehicle (SPV)	Description	Vesting requirements	Maximum term
Swaziland Management Scheme	Nedbank Sinakekelwe Trust Management Scheme	Restricted shares and share options were granted to key Management personnel as an incentive to remain within the group. Grants are allocated on the basis of job level, performance, potential and skills and competencies portrayed by the employee, entirely at the discretion of the trustees and are allocated under recommendation of the group's executive management team. The beneficial ownership of the shares lie with the participants, including dividend rights.	Participants must remain in service for three, four and five years, after each of which one third of the shares become unrestricted and one third of the options vest.	5 years
Swaziland Trust Long-term Incentive Scheme	Sinakekelwe Trust Long-term Incentive Scheme	Restricted shares and share options to be granted to key management personnel as an incentive to remain within the group. Grants will be allocated on the basis of job level, performance, potential and skills and competencies portrayed by the employee, entirely at the discretion of the group's executive management team. The beneficial ownership of the shares will lie with the participants, including dividend rights. Grants to staff have yet to be made.	Participants must remain in service for three, four and five years, after each of which one third of the shares become unrestricted and one third of the options vest.	5 years

No numerical information has been included in either the share-based payment expense or reserve in respect of these schemes, as the cumulative amount is less than R1m.

49.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve/liability	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Traditional employee schemes	**607**	550	**1 138**	988
Nedbank Group (2005) Share Option and Restricted Share Scheme	**517**	493	**939**	850
Nedbank Group (2005) Matched Share Scheme	**79**	51	**148**	93
Nedbank UK long-term incentive plan[1]		7	**16**	33
Nedbank UK Matched Share Scheme[1]		1	**19**	2
Nedbank Wealth Management International long-term incentive plan[1]	**9**	(3)	**13**	9
Nedbank Wealth Management International Matched Share Scheme[1]	**2**	1	**3**	1
Nedbank Eyethu BEE schemes	**21**	33	**82**	98
Black Executive Scheme	**14**	17	**42**	38
Black Management Scheme	**7**	16	**40**	60
	628	583	**1 220**	1 086

[1] *This scheme is cash settled and therefore creates a liability.*

49.3 Movements in number of instruments

	2014		2013	
	Number of instruments	Weighted average exercise price R	Number of instruments	Weighted average exercise price R
Nedbank Group (2005) Share Option Scheme				
Outstanding at the beginning of the year	**10 710 356**		11 321 761	
Granted	**3 444 280**		3 500 768	
Forfeited	**(719 950)**		(411 640)	
Exercised	**(3 566 309)**		(3 700 533)	
Outstanding at the end of the year	**9 868 377**		10 710 356	
Exercisable at the end of the year				
Weighted-average share price for options exercised (R)		**196,76**		192,45
Nedbank Group (2005) Matched Share Scheme				
Outstanding at the beginning of the year	**1 274 585**		917 581	
Granted	**732 501**		626 785	
Forfeited	**(104 291)**		(168 694)	
Exercised	**(252 822)**		(101 087)	
Outstanding at the end of the year	**1 649 973**		1 274 585	
Exercisable at the end of the year				
Weighted-average share price for options exercised (R)		**222,54**		189,01
Nedbank UK Long-term Incentive Plan				
Outstanding at the beginning of the year	**198 960**		263 972	17,84
Granted	**52 336**		38 084	
Forfeited	**(9 414)**		(58 708)	51,47
Exercised	**(44 594)**		(44 388)	
Outstanding at the end of the year	**197 288**		198 960	
Exercisable at the end of the year			66 196	
Weighted average share price for options exercised (GBP)				
Nedbank UK Matched Share Scheme				
Outstanding at the beginning of the year	**16 099**		7 856	
Granted	**2 811**		7 584	
Other	**(1 483)**		659	
Outstanding at the end of the year	**17 427**		16 099	
Exercisable at the end of the year				
Weighted average share price for options exercised (GBP)				
Nedbank Wealth Management International long-term incentive plan				
Outstanding at the beginning of the year	**83 254**		99 349	
Granted	**20 708**		22 812	
Forfeited			(21 135)	
Exercised	**(30 740)**		(17 772)	
Outstanding at the end of the year	**73 222**		83 254	
Exercisable at the end of the year				
Weighted average share price for options exercised (GBP)				
Nedbank Wealth Management International Matched Share Scheme				
Outstanding at the beginning of the year	**12 643**		6 612	
Granted	**7 613**		6 690	
Forfeited	**(49)**		(659)	
Outstanding at the end of the year	**20 207**		12 643	
Exercisable at the end of the year				
Weighted average share price for options exercised (GBP)				

49 SHARE-BASED PAYMENTS (continued)

49.3 Movements in number of instruments (continued)

	2014		2013	
	Number of instruments	Weighted average exercise price R	Number of instruments	Weighted average exercise price R
Black Executive Scheme				
Outstanding at the beginning of the year	**1 251 781**	**101,73**	1 244 440	95,45
Granted			158 276	129,34
Forfeited	**(59 335)**		(10 880)	78,38
Exercised	**(178 127)**		(140 055)	78,93
Outstanding at the end of the year	**1 014 319**		1 251 781	101,73
Exercisable at the end of the year	**641**	**121,08**	10 788	144,30
Weighted average share price for options exercised (R)		**223,06**		202,25
Black Management Scheme				
Outstanding at the beginning of the year	**2 710 812**	**105,23**	3 992 039	88,01
Forfeited	**(220 356)**		(304 510)	106,55
Exercised	**(964 666)**		(990 044)	97,43
Other movements	**23 526**		17 040	123,33
Expired	**(3 432)**		(3 713)	110,98
Outstanding at the end of the year	**1 545 884**		2 710 812	105,23
Exercisable at the end of the year	**262 053**	**107,36**	338 429	118,69
Weighted average share price for options exercised (R)		**227,59**		191,04

49.4 Instruments outstanding at the end of the year by exercise price

	2014		2013	
	Number of instruments	Weighted average remaining contractual life (years)	Number of instruments	Weighted average remaining contractual life (years)
Nedbank Group (2005) Share Option Scheme				
0,00	**9 868 377**	**1,2**	10 710 356	1,2
	9 868 377	**1,2**	10 710 356	1,2
Nedbank Group (2005) Matched Share Scheme				
0,00	**1 649 973**	**1,4**	1 274 585	1,5
	1 649 973	**1,4**	1 274 585	1,5
Nedbank UK long-term incentive plan				
0,00	**197 288**		198 960	0,4
	197 288		198 960	0,4
Nedbank UK Matched Share Scheme				
0,00	**17 427**		16 099	1,7
	17 427		16 099	1,7
Nedbank Wealth Management International long-term incentive plan				
0,00	**73 223**	**1,1**	83 255	0,9
	73 223	**1,1**	83 255	0,9
Nedbank Wealth Management International Matched Share Scheme				
0,00	**20 207**	**1,3**	12 643	1,8
	20 207	**1,3**	12 643	1,8

49.4 Instruments outstanding at the end of the year by exercise price

	2014		2013	
	Number of instruments	Weighted average remaining contractual life (years)	Number of instruments	Weighted average remaining contractual life (years)
Black Executive Scheme				
0,00	**319 169**	**2,4**	390 541	2,9
75,74	**19 623**	**1,2**	38 669	2,2
104,51			22 341	1,6
120,62			12 435	1,2
121,08	**127 569**	**2,2**	189 445	3,2
128,44	**84 182**	**3,2**	84 182	4,2
132,18	**7 480**	**2,6**	11 163	3,6
140,00	**60 000**	**1,6**	60 000	2,6
144,30			10 788	0,2
161,88	**174 489**	**4,2**	210 410	5,2
182,98	**114 010**	**4,6**	114 010	5,6
189,90	**107 797**	**5,2**	107 797	6,2
	1 014 319	**3,2**	1 251 781	3,8
Black Management Scheme				
0,00	**112 718**	**1,3**	207 111	1,3
75,74	**303 526**	**1,2**	593 412	2,2
104,51	**71 605**	**0,6**	222 144	1,6
108,45	**72 620**	**1,6**	138 836	2,6
120,62	**95 668**	**0,2**	230 188	1,2
121,08	**164 806**	**2,2**	296 582	3,2
128,44	**287 811**	**3,2**	339 237	4,2
132,18	**183 378**	**2,5**	265 306	3,5
134,30			69 438	0,6
139,69	**169 609**	**1,6**	186 886	2,6
144,30			63 865	0,2
161,88	**84 144**	**4,2**	97 807	5,2
	1 545 885	**2,0**	2 710 812	2,5

49 SHARE-BASED PAYMENTS (continued)

49.5 Instruments granted during the year

The weighted average fair value of instruments granted during the year has been calculated using the Black-Scholes option pricing model, using the following inputs and assumptions.

	Nedbank Group (2005) Share Option Scheme	Nedbank Group (2005) Matched Share Scheme	Nedbank UK long-term incentive plan	Nedbank UK Matched Scheme	Nedbank Wealth Management International long-term incentive plan	Nedbank Wealth Management International Matched Scheme	Black Executive Scheme
2014							
Number of instruments granted	**3 440 886**	**731 882**	**52 336**	**2 811**	**20 708**	**7 613**	
Weighted average fair value per instrument granted (R)[3]	**203,61**	**188,72**			**181,75**	**188,72**	
Weighted average share price (R)	**215,58**	**224,01**	**210,25**	**223,03**	**215,77**	**224,04**	
Weighted average expected volatility (%)[1]	**23,0**	**22,0**			**22,00**	**22,00**	
Weighted average life (years)	**3,0**	**3,0**			**3,00**	**3,00**	
Weighted average risk-free interest rate (%)	**7,2**	**6,8**			**6,8**	**6,8**	
Number of participants	**1 615**	**668**	**13**	**11**	**11**	**24**	
Weighted average vesting period (years)	**3,0**	**3,0**	**3,0**	**3,0**	**3,0**	**3,0**	
Possibility of not vesting (%)	**10,0**	**7,0**	**10,0**	**10,0**	**10,0**	**10,0**	**5,0**
Expectation of meeting performance criteria (%)	**90,0**	**93,0**	**90,0**	**90,0**	**90,0**	**90,0**	**95,0**
2013							
Number of instruments granted	3 491 184	626 280	38 084	7 584	22 812	6 690	158 276
Weighted average fair value per instrument granted (R)[3]	187,76	169,98	171,36	173,25	171,58	169,98	92,40
Weighted average share price (R)	197,02	190,53	197,21	190,53	197,21	190,53	198,50
Weighted average expected volatility (%)[1]	20,0	20,0	20,0	20,0	22,0	22,0	20,0
Weighted average life (years)	3,0	3,0	3,0	2,5	3,0	3,0	5,7
Weighted average expected dividends (%)[2]							2,6
Weighted average risk-free interest rate (%)	5,3	5,3	5,3	5,3	5,3	5,3	6,1
Number of participants	1 792	559	13	11	12	15	7
Weighted average vesting period (years)	3,0	3,0	3,0	3,0	3,0	3,0	
Possibility of not vesting (%)	10,0	7,0	10,0	10,0	10,0	10,0	5,0
Expectation of meeting performance criteria (%)	90,0	93,0	90,0	90,0	90,0	90,0	95,0

[1] Expected volatility is determined based on the historical average volatility for shares over their vesting periods. Volatility is determined using expected volatility for all shares listed on the JSE.

[2] The dividend yield used for grants made has been based on forecast dividends.

[3] Fair value per instrument has been recalculated in line with a change in the valuation methodology for shares linked to the Financial Index.

50 RELATED PARTIES

50.1 Relationship with parent, ultimate controlling party and investees

The group's parent company is Nedbank Group Limited, which holds 100% (2013: 100%) of Nedbank Limited's ordinary shares. The ultimate controlling party is Old Mutual plc, incorporated in the United Kingdom.

Material subsidiaries of the group are identified in note 52 and associate companies and joint arrangements of the group are identified in note 51.

50.2 Key management personnel compensation

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including all directors of the company and its parent, as well as members of the Executive Committee who are not directors, as well as close members of the family of any of these individuals.

Details of the compensation paid to the board of directors and prescribed officers and details of their shareholdings in the company are disclosed in the Remuneration Report. Compensation paid to the board of directors and compensation paid to other key management personnel, as well as the number of share instruments held, are shown below:

	Directors	Key management personnel	Total
Compensation (Rm)			
2014			
Directors' fees	**14**		**14**
Remuneration – paid by subsidiaries	**84**	**202**	**286**
Short-term employee benefits	**47**	**120**	**167**
Gain on exercise of share instruments	**37**	**82**	**119**
	98	**202**	**300**
2013			
Directors' fees	11		11
Remuneration – paid by subsidiaries	78	151	229
Short-term employee benefits	43	118	161
Gain on exercise of share instruments	35	33	68
	89	151	240
Number of share instruments			
2014			
Outstanding at the beginning of the year	**571 714**	**1 666 293**	**2 238 007**
Granted	**173 902**	**456 115**	**630 017**
Forfeited	**(7 965)**	**(91 879)**	**(99 844)**
Exercised	**(159 183)**	**(455 540)**	**(614 723)**
Outstanding at the end of the year	**578 468**	**1 574 989**	**2 153 457**
2013			
Outstanding at the beginning of the year	645 194	1 686 127	2 331 321
Granted	165 168	441 334	606 502
Forfeited		(11 541)	(11 541)
Exercised	(238 648)	(449 627)	(688 275)
Outstanding at the end of the year	571 714	1 666 293	2 238 007

50 RELATED PARTIES (continued)

50.3 Related-party transactions

Transactions between Nedbank Limited and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between Nedbank Limited and its other related parties are disclosed below. All of these transactions were entered into in the normal course of business.

Outstanding balances (Rm)	Due from/(owing to) 2014	2013
Parent/Ultimate controlling party		
Deposits owing to Old Mutual Life Assurance Company (SA) Ltd	**(14)**	(749)
Bank accounts owing to Nedbank Group Ltd	**(146)**	(482)
Bank balances owing to Old Mutual Life Assurance Company (SA) Ltd	**(237)**	(5 970)
Account payable owing to Old Mutual plc	**(1)**	(1)
Forward exchange rate contracts with Old Mutual plc	**(4)**	
Fellow subsidiaries		
Loans due from Nedgroup Securities (Pty) Ltd	**951**	7 141
Loans owing to Nedbank Malawi Ltd	**(74)**	(60)
Loans due from other fellow subsidiaries	**6 904**	2 326
Deposits owing to Old Mutual Asset Managers (SA) (Pty) Ltd	**(24)**	(60)
Bank balances owing to Old Mutual Asset Managers (SA) (Pty) Ltd	**(15)**	(5)
Deposits owing to Nedgroup Securities (Pty) Ltd	**(768)**	(1 339)
Deposits owing to Syfrets Securities Ltd	**(1 424)**	(1 881)
Deposits due owing to other fellow subsidiaries	**1 642**	194
Bank balances owing to other fellow subsidiaries	**(1 841)**	(1 212)
Equity derivatives with fellow subsidiaries	**(24)**	(6)
Forward exchange rate contracts with fellow subsidiaries	**1**	
Interest rate contracts with various fellow subsidiaries	**(1)**	7
Associates		
Loans due from associates	**1 692**	1 492
Deposits owing to associates	**(47)**	(12)
Bank balances owing to associates	**(5)**	(9)
Key management personnel		
Mortgage bonds due from key management personnel	**27**	32
Deposits owing to key management personnel	**(33)**	(33)
Deposits owing to entities under the influence of key management personnel	**(1 099)**	(1 398)
Bank balances due from key management personnel	**4**	4
Bank balances owing to key management personnel	**(43)**	(40)
Bank balances due from entities under the influence of key management personnel	**1**	35
Bank balances owing to entities under the influence of key management personnel	**(179)**	(362)
The WIPHOLD and Brimstone consortia and Aka Capital (Pty) Ltd are related parties since certain key management personnel of the company have significant influence over these entities. These entities are participants in the Nedbank Eyethu BEE schemes and the share-based payments reserve recognised in respect of these entities and key management personnel is detailed below:		
WIPHOLD consortium	**(154)**	(108)
Brimstone consortium	**(147)**	(107)
Key management personnel – directors	**(52)**	(48)
Key management personnel – other	**(129)**	(113)
Share-based payments reserve	**(482)**	(376)
Performance fees are paid to the WIPHOLD and Brimstone consortia in terms of the Nedbank Eyethu BEE scheme:		
WIPHOLD consortium	**(12)**	
Brimstone consortium	**(12)**	
Performance fee liability at year-end	**(24)**	
Long-term employee benefit plans		
Bank balances owing to Nedgroup Medical Aid Fund	**(1)**	
Bank balances owing to Nedgroup Pension Fund	**(100)**	(64)
Bank balances and deposits owing to other funds	**(73)**	(275)

Transactions (Rm)	Income/(Expense) 2014	2013
Parent/Ultimate controlling party		
Interest income from Old Mutual plc		
Interest expense to Old Mutual Life Assurance Company (Pty) Ltd	**(342)**	(344)
Dividend declared to Nedbank Group Ltd	**(2 200)**	(2 600)
Fellow subsidiaries		
Interest income from Old Mutual Asset Managers (SA) (Pty) Ltd	**27**	30
Interest income from fellow subsidiaries	**860**	369
Interest income from Syfrets Securities Ltd	**506**	255
Interest income from Nedgroup Securities (Pty) Ltd	**26**	
Interest expense to Syfrets Securities Ltd	**(666)**	(656)
Interest expense to other fellow subsidiaries	**(353)**	(413)
Interest expense to Old Mutual Asset Managers (SA) (Pty) Ltd	**(41)**	(25)
Interest expense to Nedgroup Securities (Pty) Ltd	**(877)**	(716)
Management and project fee income from fellow subsidiaries	**164**	17
Associates		
Interest expense to associates	**(22)**	(11)
Key management personnel		
Interest income from key management personnel	**4**	1
Interest income from entities under the influence of key management personnel	**348**	316
Interest expense to key management personnel	**(31)**	(17)
Interest expense to entities under the influence of key management personnel	**(227)**	(227)
The share-based payments charge in respect of the entities that are participants in the Nedbank Eyethu BEE schemes and key management personnel is detailed below:		
Key management personnel – other	**(5)**	(5)
Share-based payments expense (included in BEE transaction expenses)	**(5)**	(5)
Key management personnel – directors	**(17)**	(7)
Key management personnel – other	**(60)**	(24)
Share-based payments expense (included in staff costs)	**(77)**	(31)
Performance fees are also paid to the WIPHOLD and Brimstone consortia in terms of the Nedbank Eyethu BEE scheme.		
WIPHOLD consortium		(14)
Brimstone consortium		(13)
Performance fee expense		(27)
Long-term employee benefit plans		
Interest expense to Nedgroup Pension Fund	**(4)**	(4)
Interest expense to other funds	**(25)**	(12)
The Nedbank Group Pension Fund has an insurance policy (Optiplus policy) with a fellow subsidiary, Old Mutual Life Assurance Company (SA) Ltd, in respect of its pension plan obligations. Nedbank Limited has an insurance policy (Symmetry policy) with a fellow subsidiary, Old Mutual Life Assurance Company (SA) (Pty) Ltd, in respect of its postretirement medical aid obligations. The group has an interest in the OMART cell captive within a fellow subsidiary in respect of its disability plan obligations. The value of this policy and this interest are shown as reimbursement rights, with a corresponding liability. In the case of the interest in the cell captive, the group recognises the surplus in the cell captive. The amounts included in the financial statements in respect of this policy and this interest are as follows:		
Optiplus policy reimbursement right	**827**	777
Symmetry policy reimbursement right	**1 179**	
OMART policy reimbursement right (note 27.1)	**511**	453
Included in long-term employee benefit assets	**2 517**	1 230
Optiplus policy obligation	**(827)**	(777)
Postretirement medical aid obligation	**(1 179)**	
Disability obligation	**(374)**	(320)
Included in long-term employee benefit liabilities	**(2 380)**	(1 097)

51 ANALYSIS OF INVESTMENTS IN PRIVATE EQUITY ASSOCIATES, ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS

		Percentage holding		Measurement method
		2014 %	2013 %	
Century City JV	Property development	**50**	50	Fair value
Erf 7 Sandown (Pty) Ltd	Property development	**35**	35	Fair value
Falcon Forest Trading 85 (Pty) Ltd	Property development		30	Fair value
Friedshelf 113 (Pty) Ltd	Property development	**20**	20	Fair value
Masingita Property Investment Holdings (Pty) Ltd	Property development	**35**	35	Fair value
Odyssey Developments (Pty) Ltd[1]	Property development	**49**	49	Fair value
Other individually immaterial associates[2]				
Private-equity associates (Manufacturing, industrial, leisure and other)				
Private-equity associates (Property investment associates)				
Other	Various			
Individually immaterial joint arrangements[1]	Various			

All investments in associate companies and joint arrangements are unlisted. There are no regulatory constraints, apart from the provisions of the Companies Act, 71 of 2008 (as amended) that restrict the distribution of funds to the shareholders. Distribution of funds may, however, be restricted by loan agreements that the entities have entered into. All associates and joint arrangements are considered to be strategic to the group's activities.

Unless otherwise stated, all entities are domiciled and incorporated in SA. The group has the same proportion of voting rights as its proportion of ownership interest, unless stated otherwise and has not incurred any contingent liabilities with regard to the associates or joint arrangements listed above.

No significant judgement or assumptions were applied in concluding that the group has significant influence over the associates mentioned above or that the group has joint control over the joint arrangements mentioned above.

[1] The group's proportion of ownership in the entity is 49% while its voting right equates to 35%.

[2] Represents various investments that are not individually material.

52 ANALYSIS OF INVESTMENTS IN SUBSIDIARY COMPANIES

	Group			
	Issued capital		Effective holding	
	2014 Rm	2013 Rm	**2014 %**	2013 %
Banking[2]				
Nedbank (Lesotho) Ltd	**20**	20	**100**	100
Nedbank (Swaziland) Ltd	**12**	12	**65**	65
Other companies[3]				
BoE Holdings (Pty) Ltd, formerly BoE Holdings Ltd	**2**	2	**100**	100
IBL Asset Finance and Services Ltd	**4**	4	**100**	100
Depfin Investments (Pty) Ltd[4]	[1]	[1]	**100**	100
Nedcor Trade Services Ltd (Mauritius)	**3**	3	**100**	100
Nedgroup Investment 102 Ltd	**6**	6	**100**	100
Nedcor Investments Ltd	**28**	28	**100**	100
Peoples Mortgage Ltd	**45**	45	**100**	100

[1] Represents amounts less than R1m.

[2] The banking subsidiary companies are restricted in terms of Basel regulations and prudential requirements with regard to the distributions of funds to their holding company.

[3] These entities are free of any restrictions imposed on the distribution of funds, save for compliance with any local regulations.

[4] The entity is considered to be consolidated structured entity. Put options exist between the group and subscribers of issued preference shares of the entity. These options can be excercised if the entity breaches the terms of the preference share subscription agreement. The group has not provided financial or any other support to the entity without the contractual obligation to do so. The group has no current intention to provide financial or other support to the entity without the contractual obligation to do so.

Acquisition date	Year-end	Group: Carrying amount 2014 Rm	Group: Carrying amount 2013 Rm	Group: Net indebtedness of loans to/(from) associates 2014 Rm	Group: Net indebtedness of loans to/(from) associates 2013 Rm	Group: Dividends received 2014 Rm	Group: Dividends received 2013 Rm
Dec 2010	Dec	**55**	55				
Jul 2007	Feb	**63**	57	**5**	5		
Mar 2005	Feb		40		2	**39**	
Aug 2002	Feb	**85**	83	**43**	43		
Aug 2005	Feb	**125**	83	**38**	14		
Aug 2007	Feb	**57**	79	**49**	43		
		373	342	**235**	242		17
		123	125	**1 270**	1 103		3
		235	227	**(4)**	5		
		42	7	**55**	35		
		1 158	1 098	**1 691**	1 492	**39**	20

Unless otherwise stated, all entities are domiciled in SA. Unless otherwise stated, the financial statements of the subsidiaries used in the preparation of consolidated financial statements are as of the same date or same period than that of the consolidated financial statements. Unless otherwise stated, there are no significant restrictions (eg statutory, contractual and regulatory restrictions) on the group's ability to access or use the assets and settle the liabilities of the group.

Headline earnings from subsidiaries (after eliminating intercompany transactions):

	2014 Rm	2013 Rm
Aggregate headline earnings attributable to equity holders	**8 079**	7 232
Aggregate headline losses attributable to equity holders	**(2)**	(43)

General information required in terms of the Companies Act, 71 of 2008 (as amended), is detailed in respect of only those subsidiaries where the financial position or results are material to the group. It is considered that the disclosure in these statements of such information in respect of the remaining subsidiaries would entail expenses out of proportion to the value to members. Other subsidiaries consist of nominees, property-owning and financial holding companies acquired in the course of lending activities.

Nedbank Group Limited will ensure that, except in the case of political risk, and unless specifically excluded by public notice in a country where a subsidiary is domiciled, its banking subsidiaries, and its principal non-banking subsidiaries, are able to meet their contractual liabilities.

52 ANALYSIS OF INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

52.1 Material non-controlling interests

The table below provides detail of non-wholly owned subsidiaries of the group that have material non-controlling interests:

	Nedbank (Swaziland) Ltd	
	2014 Rm	2013 Rm
Financial position		
Total assets	**3 596**	2 845
Total liabilities	**3 122**	2 444
Accumulated non-controlling interests at the end of the year	**165**	136
Comprehensive income		
Income from lending activities	**149**	119
Non-interest revenue	**139**	131
Profit from continuing operations	**97**	112
Total comprehensive income	**98**	78
Profit allocated to non-controlling interests during the year	**38**	27
Cashflows		
Cashflows from/(utilised by) operating activities	**62**	(493)
Cashflows utilised by investing activities	**(8)**	(13)
Cashflows utilised by financing activities	**(25)**	(23)
Net increase/(decrease) in cash and cash equivalents	**29**	(529)

52.2 Significant judgement and assumptions in the assessment of control

No significant judgements and assumptions were used in determining whether the group has control over another entity except for the following:

Judgements and assumptions applied in concluding that the group has control over another entity:

Securitisation

The group originated and sponsors certain securitisation vehicles and acts in various capacities with regard to these structures. The group controls these entities and have been consolidating these structures since its inception. These securitisation structures include the following:

Synthesis Funding Ltd (Synthesis), an asset-backed commercial paper (ABCP) programme; invests in long-term rated bonds and offers capital market funding to SA corporates which is funded through the issuance of short-dated investment-grade commercial paper. The group acts in various capacities with regard to this vehicle which includes the role of master liquidity facility provider, programme-wide credit enhancement provider, administrator, dealer, paying and settlement agent, custodian and hedge counterparty. The group is involved in the day-to-day activities of the vehicle. Although the activities and decisionmaking rights are predetermined and restricted; the group exercises a significant degree of discretion in its decisionmaking regarding investments, funding and risk management. Industry knowledge and experience of the group are crucial to successful operation of Synthesis. The group is exposed to variable returns from the entity in the form of fees and interest income as well as residual income subsequent to certain distributions through the provisioning of credit enhancement. As a result, the group has concluded that it controls the entity.

Other securitisation vehicles consist of GreenHouse Funding (RF) Ltd, Series 1 (GreenHouse), a residential mortgage-backed securitisation programme, and Precinct Funding 1 (RF) Ltd, a commercial mortgage-backed securitisation programme. The activities of these vehicles are predetermined and restricted in terms of the programme documentation established at its inception. The group does however exercise some discretion in its decisionmaking which includes the selection and transfer of assets and the management of defaulted assets. Through the provision of administration services, the interest rate hedge, and credit enhancement; Nedbank Limited has rights to the residual return of the vehicle. The group has concluded that it controls these entities.

Refer to note 43 for further information on the securitisation activities of the group.

Employee share schemes

Employee share schemes were established by the group (or any of its subsidiaries) in terms of a trust deed for the benefit of its employees in return for their employment services rendered. Funding is provided by the group or its subsidiaries to acquire shares that are beneficially held on behalf of the beneficiaries of the trust. The beneficiaries of the trust are specified by group or its subsidiaries. The trustees have limited rights and act within narrowly defined parameters in terms of the trust deed. The trustees receive limited remuneration (if any) for their services rendered in terms of the trust. The group has concluded that the trustees merely act in an agent capacity and that the group has control over the trust.

Dr Holsboer Benefit Fund

Nedbank Limited is the founder of the trust. The fund was established in terms of a trust deed for the benefit of employees of Nedbank Limited. The beneficiaries of the trust include employees, contractors and pensioners as nominated by the trustees in their sole discretion. The trustees have the right to vest or distribute net income of the trust in their discretion. All trustees are required to act in accordance with trust deed. The founder, Nedbank Limited, reserves the right to terminate the appointment of any of the trustees. In terms of the trust deed, the trustees are not entitled to remuneration for their services unless the founder and all the trustees unanimously agree. The group has concluded that the trustees merely act in an agent capacity and that the group has control over the trust.

Judgements and assumptions applied in concluding that the group does not have control over another entity:

Investment funds

The group acts as fund manager to a number of investment funds. Determining whether the group controls such an investment fund usually focuses on the assessment of decisionmaking rights as fund manager, the investor's rights to remove the fund manager and the aggregate economic interests of the group in the fund in the form of interest held and management fees.

In most instances the group's decisionmaking authority, in capacity as fund manager, with regard to these funds is regarded to be well-defined. Discretion is however exercised when decisions regarding the relevant activities of these funds are being made. For all funds managed by the group, the investors have the right to remove the group as fund manager without cause.

Fees earned by the group, in its capacity as fund manager, are considered to be market related, commensurate with the services provided and includes only terms, conditions or amounts that are customarily present in arrangements for similar services and level of skills negotiated on an arm's length basis.

As a result, the group has concluded that it acts as agent on behalf of the investors in all instances. The group does therefore not control these funds and has not consolidated these funds.

Investment holding entities

The group provides funding to various investment-holding entities in the form of preference shares. The group's rights relating to these investment-holding entities, through the subscription of preference shares, are considered to be protective rather than substantive. As a result, the group has concluded that it does not have power nor control over these entities.

53 UNCONSOLIDATED STRUCTURED ENTITIES

The group considers an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, to be structured entities. The relevant activities of structured entities are normally directed by means of contractual arrangements and often have some or all of the following features or attributes:

- restricted activities;
- a narrow and well-defined objective;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

However, interests in unconsolidated structured entities that result from typical customer-supplier relationships are not regarded as exposures that are required to be disclosed in terms of IFRS 12 with specific reference to unconsolidated structured entities.

The group evaluates the nature of its involvement with all unconsolidated structured entities to determine whether it is based on a typical customer supplier relationship. This assessment includes consideration of the following:

- the typical operations and business model of the business unit involved;
- the risk and variability of return the group is exposed to;
- the purpose and design of the structured entity and/or the instrument the group is exposed to; and
- the level of subordination of rights and concentration of risk relating to the exposure.

The group has various involvements in and exposures towards unconsolidated structured entities which include:

- certain investments in exchange-traded funds and securitisation structures;
- certain funding structures;
- certain management and fiduciary functions performed in terms of trusts and partnerships; and
- security SPVs.

Through careful assessment, these involvements and exposure are regarded to be typical customer-supplier relationships and are therefore not required to be disclosed in terms of IFRS 12.

54 EVENTS AFTER THE REPORTING PERIOD

Refer to the directors' report for information on these events.

55 PREFERENCE SHAREHOLDERS' ANALYSIS

Register date: 2 January 2015
Authorised share capital: 1 000 000 000 shares
Issued share capital: 358 277 491 shares

	Number of shareholdings	%	Number of shares	%
Shareholder spread				
1 – 1 000 shares	172	2,83	94 421	0,03
1 001 – 10 000 shares	2 353	38,69	14 724 872	4,11
10 001 – 100 000 shares	3 083	50,70	102 264 535	28,54
100 001 – 1 000 000 shares	432	7,10	102 875 203	28,71
1 000 001 shares and over	41	0,68	138 318 460	38,61
Total	6 081	100,00	358 277 491	100,00
Distribution of shareholders				
Banks	2	0,03	13	
Close corporations	60	0,99	3 628 152	1,01
Endowment funds	58	0,95	7 005 883	1,96
Individuals	3 811	62,67	97 329 296	27,17
Insurance companies	32	0,53	33 583 795	9,38
Investment companies	5	0,08	7 208 828	2,01
Medical aid schemes	11	0,18	883 649	0,25
Mutual funds	86	1,41	87 813 188	24,51
Nominees and trusts	1 773	29,16	81 597 594	22,77
Other corporations	35	0,58	1 263 914	0,35
Private companies	162	2,66	26 911 145	7,51
Public companies	5	0,08	2 310 100	0,64
Retirement funds	41	0,68	8 741 934	2,44
Total	6 081	100,00	358 277 491	100,00
Public/Non-public shareholders				
Non-public shareholders	13	0,21	14 797 951	4,13
Directors and associates of the company	1	0,02	158 000	0,04
Old Mutual Life Assurance Company (South Africa) Ltd and associates	9	0,15	4 640 245	1,30
Nedbank Group Ltd and associates	3	0,05	9 999 706	2,79
Public shareholders	6 068	99,79	343 479 540	95,87
Total	6 081	100,00	358 277 491	100,00
Beneficial shareholders holding 5% or more				
Coronation Fund Managers			33 605 476	9,38
Total			33 605 476	9,38

Major managers	Number of shares	Dec 2014 % holding	Dec 2013 % holding
Coronation Asset Management (Pty) Ltd (SA)	47 663 326	13,30	11,81
Sanlam Investment Management (SA)	24 816 052	6,93	7,29
Various retail holders (SA)	22 321 552	6,23	6,89
Investec Asset Management (SA)	15 188 033	4,24	3,38
STANLIB Asset Management (SA)	11 893 305	3,32	3,00
Nedgroup Private Wealth (Pty) Ltd (SA)	10 413 523	2,91	2,63
Grindrod Asset Management (SA)	9 405 990	2,63	2,16
Outsurance Insurance Company Ltd (SA)	7 586 720	2,12	2,12
PSG Konsult (SA)	7 031 446	1,96	2,08
Abax Investments (SA)	7 000 000	1,95	2,01
Melville Douglas Investment Management (SA)	4 934 503	1,38	1,92

COMPLIANCE WITH IFRS[1] - FINANCIAL STATEMENT NOTES

Note number	Note description	IFRS required
1	PRINCIPAL ACCOUNTING POLICIES	IAS[2] 1
2	STANDARDS AND INTERPRETATIONS	IAS 1 and IAS 8
3	KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION	IAS 1
4	CAPITAL MANAGEMENT	IAS 1
5	INTEREST AND SIMILAR INCOME	IAS 18, IAS 32, IAS 39, IFRS 7 and IFRS 13
6	INTEREST EXPENSE AND SIMILAR CHARGES	IAS 18, IAS 32, IAS 39, IFRS 7 and IFRS 13
7	NON-INTEREST REVENUE	IAS 18, IAS 20, IAS 32, IAS 39, IFRS 4, IFRS 7, IFRS 8 and IFRS 13
8	OPERATING EXPENSES	IAS 1, IAS 19, IFRS 2 and IFRS 8
9	INDIRECT TAXATION	IAS 1
10	NON-TRADING AND CAPITAL ITEMS	IAS 1, IAS 16, IAS 36 and IFRS 10
11	DIRECT TAXATION	IAS 12
12	EARNINGS	IAS 33
13	DIVIDENDS	IAS 1 and IAS 10
14	CASH AND CASH EQUIVALENTS	IAS 1, IAS 7 and IFRS 7
15	OTHER SHORT-TERM SECURITIES	IAS 1, IAS 39, IFRS 7, IFRS 8 and IFRS 13
16	DERIVATIVE FINANCIAL INSTRUMENTS	IAS 32, IAS 39, IFRS 7 and IFRS 13
17	GOVERNMENT AND OTHER SECURITIES	IAS 1, IAS 32, IAS 39, IFRS 7; IFRS 8 and IFRS 13
18	LOANS AND ADVANCES	IAS 17, IAS 39, IFRS 7, IFRS 8 and IFRS 13
19	IMPAIRMENT OF LOANS AND ADVANCES	IAS 39, IFRS 7 and IFRS 8
20	OTHER ASSETS	IAS 1, IAS 39, IFRS 7 and IFRS 13
21	INVESTMENT SECURITIES	IAS 32, IAS 39, IFRS 7 and IFRS 13
22	INVESTMENTS IN PRIVATE ASSOCIATES, ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS	IAS 28, IFRS 11, IFRS 12 and IFRS 13
23	NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE	IFRS 5 and IFRS 13
24	DEFERRED TAXATION	IAS 12
25	INVESTMENT PROPERTY	IAS 40 and IFRS 13
26	PROPERTY AND EQUIPMENT	IAS 16, IAS 36 and IFRS 13
27	LONG-TERM EMPLOYEE BENEFITS	IAS 19, IAS 26 and IFRIC[3] 14
28	INTANGIBLE ASSETS	IAS 38 and IAS 36
29	SHARE CAPITAL	IAS 1
30	AMOUNTS OWED TO DEPOSITORS	IAS 1, IAS 39, IFRS 7, IFRS 8 and IFRS 13
31	PROVISIONS AND OTHER LIABILITIES	IAS 37, IAS 32, IAS 39, IFRS 7 and IFRS 13
32	LONG-TERM DEBT INSTRUMENTS	IAS 32, IAS 39, IFRS 7 and IFRS 13
33	CASHFLOW INFORMATION	IAS 7
34	CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CATEGORIES OF FINANCIAL INSTRUMENTS	IAS 39 and IFRS 7
35	FAIR-VALUE MEASUREMENT - FINANCIAL INSTRUMENTS	IAS 39, IFRS 7 and IFRS 13
36	FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS	IAS 32, IAS 39, IFRS 7 and IFRS 13
37	OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES	IFRS 7, IFRS 13 and IAS 32
38	CREDIT ANALYSIS OF OTHER SHORT-TERM SECURITIES, AND GOVERNMENT AND OTHER SECURITIES	IFRS 7
39	LIQUIDITY GAP	IFRS 7
40	CONTRACTUAL MATURITY ANALYSIS FOR FINANCIAL LIABILITIES	IFRS 7
41	HISTORICAL VALUE AT RISK (99%, ONE-DAY) BY RISK TYPE	IFRS 7
42	INTEREST RATE REPRICING GAP	IFRS 7
43	SECURITISATIONS	IAS 39, IFRS 7 and IFRS 13
44	FOREIGN CURRENCY CONVERSION GUIDE	IAS 21
45	CONTINGENT LIABILITIES AND UNDRAWN FACILITIES	IAS 37 and IAS 10
46	COMMITMENTS	IAS 37, IAS 10, IAS 17 and IFRS 7
47	COLLATERAL	IFRS 7
48	MANAGED FUNDS	IFRS 7 and IFRS 13
49	SHARE-BASED PAYMENTS	IFRS 2
50	RELATED PARTIES	IAS 24
51	ANALYSIS OF INVESTMENTS IN PRIVATE EQUITY ASSOCIATES, ASSOCIATE COMPANIES AND JOINT ARRANGEMENTS	IAS 28, IFRS 11, IFRS 12 and IFRS 13
52	ANALYSIS OF INVESTMENTS IN SUBSIDIARY COMPANIES	IAS 27, IFRS 10 and IFRS 12
53	UNCONSOLIDATED STRUCTURED ENTITIES	IFRS 12
	WORLDCLASS AT MANAGING RISK	IFRS 7 and IFRS 13

[1] International Financial Reporting Standards (IFRS).
[2] International Accounting Standards (IAS).
[3] International Financial Reporting Interpretations Committee (IFRIC).

REPORT FROM **GROUP REMUNERATION COMMITTEE** CHAIR

On pages 122 to 151 we present to our stakeholders the 2014 Nedbank Group Remuneration Report, containing our Remuneration Policy and details of the implementation and governance of our remuneration practices during the 2014 financial year.

Executive remuneration and remuneration governance continued to feature prominently in 2014 and, at an individual level, the focus remained on executive remuneration (notably that of Chief Executives). A primary consideration in this regard remains the issue of pay for sustainable performance.

We set out in detail in this Remuneration Report the processes that we follow in Nedbank to ensure that our compensation practices are sustainable and that we reward both short- and long-term performance. As far as that is concerned, we place a large proportion of executive compensation at risk through the implementation of deferral of short-term incentives with appropriate forfeiture provisions, and through corporate performance targets on deferred and long-term remuneration.

King III and the Principles for Sound Compensation Practice published by the Financial Stability Board are the key governance frameworks for remuneration in banking in SA. The SA Banks Act, 94 of 1990 was, however, amended in late 2013, setting out in section 64C the specific requirements that must be met with regard to the establishment and functioning of remuneration committees in banks. I am pleased to confirm that Nedbank remains fully compliant with the relevant regulatory and statutory provisions related to remuneration governance. We are also proud to have been given the Remuneration Report of the Year award by the South African Reward Association for our 2013 Remuneration Report.

Remuneration governance remains a key focus abroad. Measures have been implemented in European banks to restrict levels of bonus payments as a multiple of guaranteed pay. In some instances, alternative remuneration structures have been implemented, which resulted in increases in fixed remuneration, albeit in the form of standalone 'allowances'. These measures continue to be monitored by the relevant governance authorities to ensure that they do not circumvent the regulatory intentions, but also to ensure that they do not inadvertently lead to an increase in moral hazard. The counterargument advanced by banks is that increased regulation in Europe may reduce the competitiveness of the employment market in the region, with highly qualified and skilled individuals migrating to other, less onerous jurisdictions, and that the increase in fixed remuneration increases business risk and earnings volatility. This debate will likely continue into the future.

It is clear that the regulation and the associated responses serve to increase, rather than decrease, the complexity of remuneration design. This will require greater transparency in reporting so that shareholders and other stakeholders can make informed judgements on the appropriateness of pay. This issue of transparent and standardised reporting is also a key issue for SA.

We have, over several years, kept our core remuneration policy and principles largely consistent. In 2014 we conducted an appropriateness and fit-for-purpose review for all key elements of our variable remuneration, including our short-term incentive (STI) and deferral arrangements, and the structure of our long-term incentives (LTIs). Our STI and deferral arrangements were deemed to meet all of the relevant governance and design requirements, and therefore remained unchanged. Our LTI arrangements were also found to be fit for purpose. However, it was decided to increase group and cluster executive committee (Exco) members' proportion of LTIs that are subject to corporate performance targets by including an element for the delivery of strategic initiatives as agreed by the Group Remuneration Committee (Remco) from time to time. In line with the objective of increasing the levels of collaboration within the broader Old Mutual Group, and as indicated in our 2013 Remuneration Report, Africa collaboration has been selected as the strategic initiative for 2015 LTI issuance, in support of the target of achieving R1bn of pretax synergies across the Old Mutual Group by the end of 2017. As a result 20% of all LTI awards made to members of the Group Exco and the cluster excos in 2015 will be subject to an Africa Collaboration performance condition, which will be standard across the three Old Mutual entities (Old Mutual Emerging Markets, Mutual & Federal and Nedbank). This will not increase the overall quantum of the LTI awards, but will rather change the proportion of the awards subject to the various performance conditions. It is important, however, to note that awards made to Nedbank employees will be in Nedbank shares and not in Old Mutual plc shares, as was previously contemplated, and will be subject to a minimum amount of the R1bn synergy target accruing to Nedbank. Details are set out on page 138 of this Remuneration Report.

Nedbank produced a strong set of results for 2014, which are set out in other sections of the integrated report. Given the continued improvement in our performance, the STI pool earned and approved by the Remco has continued to grow. In addition, LTI awards continue to vest, although this vesting has been moderated downwards based on performance according to the corporate performance targets.

There have been no material changes to our Remuneration Policy following the comprehensive review conducted in 2013. The policy is set out in full on pages 122 to 125 of the Remuneration Report, and shareholders will, as required by King III, be requested to vote on this on a non-binding advisory basis at the annual general meeting on 11 May 2015. I have no reservation in recommending, on behalf of the Nedbank Group Remuneration Committee, that shareholders vote positively in this regard.

In our reportback on remuneration in 2013 the Remco identified several key matters to be considered in 2014. These and the progress made are set out below:

Issues raised in the 2013 Remuneration Report	Actions taken in 2014
Conclusion of the performance management review project	The group's decision to implement SAP-HCM (along with the finance and procurement modules) as its core human resources system, supplemented by the SuccessFactors modules on compensation, performance, talent and learning, resulted in a full review of the approach to performance management to enable the group to benefit from the best-practice solution in SuccessFactors. This will be rolled out during 2015, for implementation in the 2016 performance year.
Improved shareholder engagement through our governance roadshows conducted annually by the Chairman of the board	Our governance roadshows, which are outlined in more detail online in the integrated report, were very successful. There were very few material issues raised regarding our Remuneration Policy and practices. Nedbank received the Remuneration Report of the Year award for 2013 by the South African Reward Association in recognition of the contribution made to reporting on remuneration in a trustworthy and transparent manner.
Review of the structure, composition and effectiveness of our employee benefits suite	The Group Exco and the trustees of the two Nedbank Group defined-contribution retirement funds agreed, following an extensive due-diligence exercise, to the transition of these standalone funds to the Old Mutual SuperFund umbrella fund. This transition took place on 1 January 2015, following a communication process with members of the funds during the second half of 2014. The Nedgroup Defined-Benefit Pension Fund, which is closed to new members, will remain a standalone fund. Further work is scheduled for 2015 to review the Nedgroup Medical Aid Scheme.
Consideration of the possible implementation of a focused LTI programme for a limited number of senior executives in the group	This arrangement was not implemented in 2014 following extensive engagement in this regard between the Remco, Old Mutual and other stakeholders. It has, however, been decided to increase the proportion of LTIs in 2015 for Group Exco and cluster exco members that are subject to performance targets by including an element for the delivery of strategic initiatives as agreed by the Remco from time to time. Details are set out on page 129 of this Remuneration Report. This will form part of, and not be in addition to, the overall LTI arrangements.

The Remco continues to function effectively and efficiently. I remain grateful to my fellow Remco members for the way in which they continue to engage on the important issues related to remuneration.

Mpho Makwana

Group Remuneration Committee Chair

9 March 2015

2015 FOCUS AREAS

In 2015 the committee will focus on:

- launching an updated approach to performance management in the group;
- reviewing our variable pay arrangements; and
- focusing on fitness for purpose of our employee benefit suite.

REPORTING BACK ON **REMUNERATION**

REMUNERATION POLICY

The group defines total reward as a combination of various types of rewards, including financial and non-financial, indirect and direct, and intrinsic and extrinsic rewards. The Remuneration Policy provides a framework for the management of total reward in the group, and supports the Nedbank employee value proposition (EVP).

Scope of the Nedbank Group Remuneration Policy

The Nedbank Group Remuneration Policy ('the remuneration policy') is board-approved and forms part of the group's operating philosophy, policies and standards. It sets out how total remuneration is to be managed in the group, and is supported by detailed operating policies, procedures and practices at business unit level.

The policy applies to all entities in Nedbank Group, including wholly owned subsidiaries and subsidiaries or joint ventures in which Nedbank has a majority interest, and excludes companies in which the group has only a private-equity investment. The policy applies uniformly in all such jurisdictions, except where it is in conflict with local statutes or regulations, in which case such statutes or regulations will apply. Where a particular operating jurisdiction has a more onerous regulatory or statutory framework, the local standards of governance in that jurisdiction will apply.

Aims of the policy

The group's reward arrangements should:

- enable it to attract, motivate and retain people of high calibre, with the right mix of experience, skills and knowledge to deliver on the strategy;
- support and reinforce its desired culture and encourage behaviour consistent with its values, thereby stimulating employee engagement;
- create appropriate balance and alignment between the needs, expectations and risk exposures of its stakeholders, including our staffmembers, clients, shareholders, regulators and communities, to ensure the creation of sustainable long-term value for each of these;
- incentivise employees to deliver sustained high levels of performance and excellent execution of its strategic priorities, while being cognisant of the impact this delivery has on the risk profile and exposure of the organisation;
- enable appropriate transparency in the development of remuneration programmes and the allocation of individual remuneration to ensure equity and fairness based on valid and appropriate external and internal benchmarks; and
- align with the principles of good corporate and compensation governance, ensuring an appropriate share of value for the relevant stakeholders in its business.

In the above regard, Nedbank's fixed and variable remuneration is aimed at enabling it to remain competitive. In this context 'competitive' encompasses market relativity, sustainability and commercial sensibility in the allocation and delivery of remuneration.

Remuneration governance

The group complies with the relevant remuneration governance codes that apply in its various operating jurisdictions. These include groupwide compliance with the Financial Stability Board's (FSB's) Principles for Sound Compensation Practice. In SA the group complies with the provisions of King III and the requirements of regulations 39 and 43 of the Banks Act and section 64C of the Banks Amendment Act. For group operations domiciled in the UK, the provisions of the Prudential Regulatory Authority (previously the Financial Services Authority) Remuneration Code apply.

The Nedbank Group Remuneration Committee ('Group Remco') is mandated by the group's board to oversee and govern all aspects of remuneration and operates according to an approved charter. Outcomes of Group Remco meetings are reported to the board. Group Remco also conducts an annual self-assessment of its effectiveness.

Group Remco has independent advisers, both in SA and internationally, who provide strategic input and advice on international and local best practice and benchmarking. Group Remco is further supported by the Group Reward and Performance function.

Group Remco works closely with the Group Risk and Capital Management Committee (GRCMC) to ensure a comprehensive approach to risk and reward.

The group publishes its comprehensive annual Remuneration Report as part of its overall governance requirements.

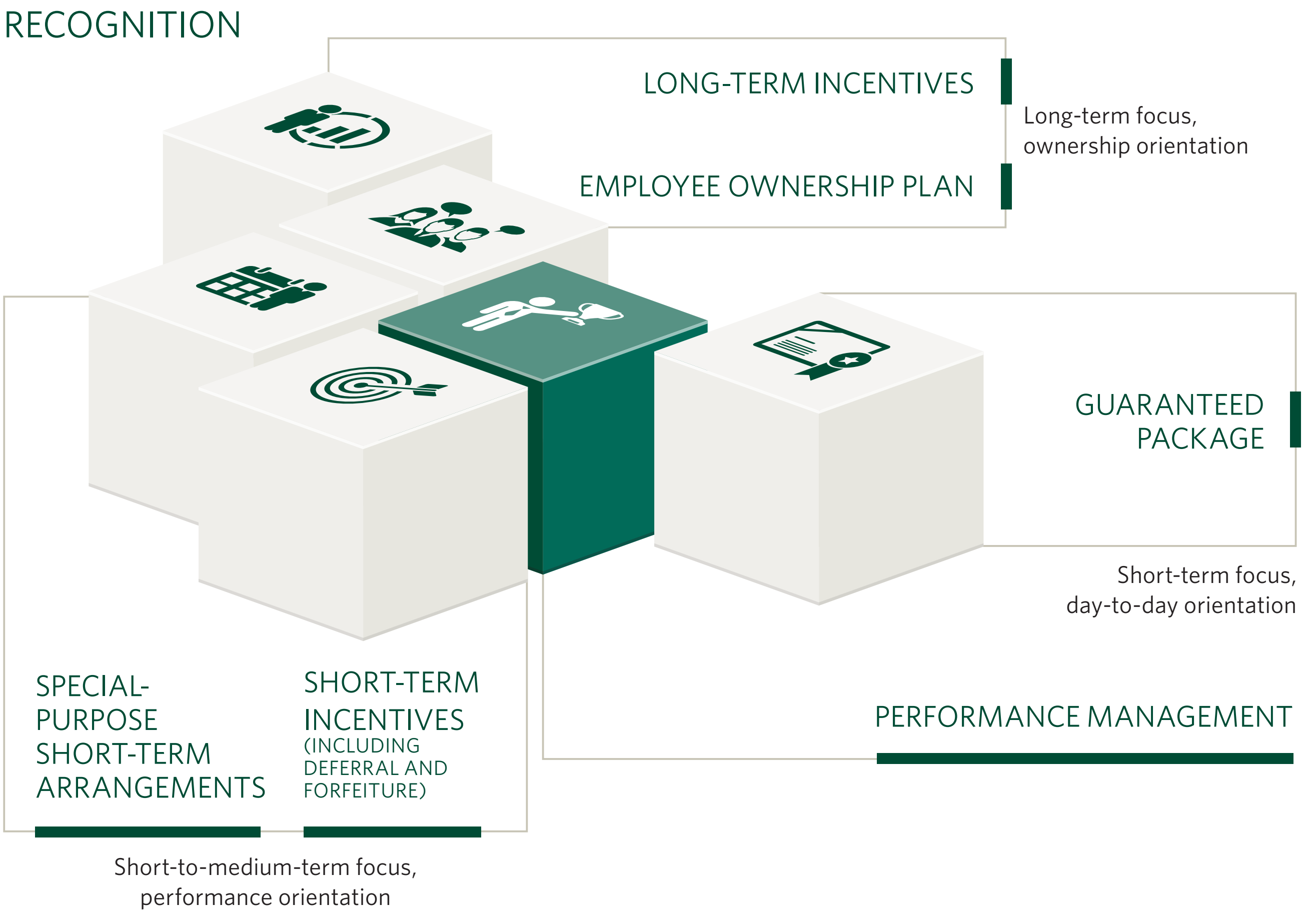
Performance management

The group's performance management process ensures appropriate alignment of individual, team, business unit and cluster performance objectives with those of the group. This enables translation of the group's strategic focus areas into individual action plans.

The core principles of the group's performance management process are as follows:

- Performance management is consistently applied across the group to ensure effective alignment of strategic objectives and individual outputs.
- Performance objectives are based on a scorecard of metrics featuring both financial and non-financial indicators that align with the group's strategic imperatives.
- Performance management is an ongoing process rather than an event.
- Performance outcomes are appropriately differentiated to reflect the different levels of the contribution made by employees to the success of the group. Where performance deficits are identified, these are dealt with actively, with the primary objective of returning the employee to full performance.
- Performance management is a primary input into the group's remuneration programmes, with the aim, among others, of ensuring appropriate differentiation in remuneration based on contribution.

Components of Nedbank's Total Remuneration Framework



Guaranteed remuneration

Guaranteed remuneration comprises salary and employee benefits and is delivered to employees in a form determined by local market conditions. Guaranteed remuneration usually reflects the prevailing 'rate for the role' within a remuneration range, with actual remuneration being distributed about the median of the range.

In SA, and in some non-SA operations, this will take the form of a guaranteed package (GP). This represents the fixed cost of employment and, depending on local market practice, comprises a combination of the following:

- Cash salary.
- Retirement benefits.
- Medical benefits.
- Death and disability benefits.
- Contributions towards postretirement medical funding, where applicable.
- Motor vehicle benefits.

A core principle under a GP model is that changes to benefit contribution levels are typically cost neutral to the group: changes to benefit pricing result in a corresponding increase or decrease in the monthly cash salary for the individual.

Where appropriate, local market conditions may necessitate a basic-salary-plus-add-on benefit approach. In these instances the salary is typically fixed, with benefit costs being a function of utilisation (that is, if the benefit is not used, there is no cash compensation in lieu of the benefit). The group carries the upside risk of increases in the cost of benefits.

The primary determinant of guaranteed remuneration is market-relatedness. The group conducts annual benchmarking against comparable firms in the relevant jurisdictions to assess market competitiveness. The combination of distribution of guaranteed remuneration within the earnings ranges and the market relativity of the group's guaranteed remuneration is a primary input into the annual salary review process, but in all instances this is subject to affordability and appropriate consideration of the sustainability of the group's remuneration practices.

In support of remuneration benchmarking there is a robust process of job profiling and evaluation. This enables consistency in the evaluation and sizing of roles, and the associated benchmarking of guaranteed-remuneration levels.

At an individual decisionmaking level performance is used as a determinant of the extent of an individual's progression within an earnings range. Thus, performance and individual market position are used concurrently when remuneration increases are determined.

Adjustments to guaranteed remuneration outside of the annual review process are typically exceptional, linked to changes in responsibility or the intention to retain specific talent. These are subject to appropriate approval based on the relevant delegations of authority.

All employee benefits, whether offered on a cost-to-company or a basic-salary-plus-add-on basis, are subject to appropriate oversight and governance to ensure that the financial and reputational risks associated with the provision of employee benefits are effectively and prudently managed.

Short-term incentives, including deferrals

Short-term incentives (STIs) are delivered primarily through the group's discretionary STI arrangements. Where appropriate, and subject to the appropriate governance and approval, bespoke plans may be implemented, subject to Group Remco oversight.

As a general rule, all STI plans are funded from the group's overall STI pool. Bespoke plans will therefore result in a 'drawdown' on the pool.

Where there is a specific dispensation to exclude a bespoke plan from the overall STI pool (usually in cases of low-guaranteed/high-variable remuneration models), Group Remco approval for such exclusion is required.

The group does not operate any individual 'line of sight' schemes that could be deemed to encourage inappropriate risktaking or increase the risk of moral hazard. Where commission-type arrangements operate (usually in respect of low-risk income-generating sales roles), appropriate safeguards are included to mitigate any potential moral hazard.

STI participation is discretionary, and therefore there is no right to a performance incentive award in any given year. STIs are, at an individual level, determined primarily on the basis of performance, with the overall objective of exceptional reward for exceptional performance. Differentiation of awards based on the range of performance outcomes in the group is therefore a core principle. Furthermore, employees performing below a minimum acceptable level are not typically eligible for consideration for an STI award.

STIs are typically in the form of cash and the employee must be in service on the date of payment. However, in accordance with global financial services governance and prudent risk management principles, the group has introduced an arrangement of compulsory deferral into shares of STI awards paid in excess of a threshold approved by Group Remco from time to time, which has been effective from 2010 onwards. Where deferral applies under this arrangement, any awards made are subject to specific release from forfeiture criteria and are subject to forfeiture at the discretion of Group Remco. Where forfeiture applies, the group will not retest conditions or extend the period over which shares must be held.

Group Remco approval is required for all individual STI awards that exceed 200% of guaranteed remuneration.

The group may, as a component of its approved long-term incentive (LTI) programme, offer a share-matching arrangement on compulsory STI deferrals, subject to the participant's retention of the award in the plan for a minimum period of 36 months (which is longer than the standard deferral timeframe), and subject to the release of the awards from potential forfeiture. Additional matching is further subject to the fulfilment of a specific group performance condition.

Special-purpose short-term variable remuneration arrangements

The group uses, on an exceptional basis, special-purpose short-term variable remuneration arrangements to assist in the attraction and retention of key talented employees and holders of scarce skills. These include signon awards and deferred short-term incentive (DSTI) arrangements, both of which are subject to individual performance and time-based conditions to ensure an appropriate return on the remuneration investment.

The group is cognisant of the regulatory concerns raised regarding so-called 'guaranteed variable remuneration', and the potential downside of such payments. A high level of governance is therefore applied to both the operation of the respective programmes and the actual inclusion of individuals. In this regard a specified pool is approved by Group Remco for each financial year for each of the programmes. This pool is placed under the direct control of the Chief Executive (CE) and is subject to review by Group Remco at each meeting.

As a core principle, guaranteed variable remuneration awards are highly exceptional and are utilised primarily in the context of the appointment or retention of key, critical talent. Furthermore, participants are typically able to receive an award under the respective plans only once during their tenure with the group.

The group does not award guaranteed bonuses.

Employee ownership plans

The group offers two broad types of employee ownership plans: broad-based participation based on local statutory or regulatory requirements (these include BBBEE arrangements and 'indigenisation' or 'localisation' programmes) and employee subscription arrangements, in terms of which employees may invest a portion of their after-tax STI in Nedbank shares, with the possibility of matched shares.

Broad-based schemes operate in jurisdictions where local regulations or statutes require specific economic participation by employees, usually by means of ownership of a stake in the business. In most (but not necessarily all) instances these plans are put in place to redress past imbalances in participation in the particular country's economy. Participation in such plans may therefore be limited to certain employees, based on demographic specifications. Further, failure to adhere to the requirements may have material legal or regulatory implications for the relevant business. Broad-based schemes are typically implemented at zero cost to employees.

Employee subscription arrangements are typically voluntary and give employees the opportunity to invest in Nedbank, currently on a posttax basis, over a stipulated period. This allows the employee to participate in both potential share price appreciation and the application of matching arrangements if the shares are retained in the plan for a prespecified period of 36 months. In this regard the group operates a voluntary STI deferral scheme, which allows eligible participants to receive matching shares, provided such shares remain in the programme for a stipulated period.

All employee ownership plans are subject to board or Group Remco approval (and may, subject to the nature of the transaction, require regulatory, stock exchange or shareholder approval). Accordingly, strict governance and approval processes apply in every instance.

Long-term incentive plans

The group's shareholders have approved the implementation of a restricted-share-plan (RSP) arrangement, through which LTI awards are made. Where deemed necessary to address local taxation and exchange control issues, cash-settled phantom RSP arrangements have been implemented to ensure that operations outside SA may also participate in LTI arrangements linked to the group's share price performance, and therefore ensure appropriate alignment of the interests of executives based abroad with those of the group's shareholders.

LTI awards are based on the following considerations:

- Strategy and individuals key to driving the business strategy.
- Talent management strategy and succession planning.
- Retention of key talent and scarce skills.
- Transformation objectives.
- Potential and performance.
- Leadership.

The following are the core principles applicable to the group RSP arrangements, including phantom restricted share plans (RSPs):

- Awards under the relevant RSPs may typically be made at only two intervals per year – the annual pay review (typically March) and one off-cycle award (typically August). All awards are subject to the necessary governance and approval processes.
- All plans are subject to corporate performance targets (CPTs) on at least 50% of the total award (with awards for executive directors being subject to performance conditions on 100% of the award).
- Awards subject to performance conditions may be lapsed in full or in part in the event that the conditions are not met. There is also appropriate upward leverage to a maximum of 130% in the event that conditions are exceeded. Where awards are lapsed because of non-fulfilment of the performance conditions, the conditions will not be retested.
- Awards are subject to vesting over a period of no less than three years from the date of the grant.
- Where awards are lapsed, there is no replacement compensation issued.
- Employees may not take steps to hedge or otherwise insure themselves against potential losses in respect of their LTI participation prior to vesting.
- The pool available for allocation under the group's LTI arrangements is approved in advance by Group Remco.

- Group Remco assesses and confirms the CPT outcomes, ensuring that the interests of all stakeholders are appropriately considered.

Changes to remuneration arrangements

The group reserves the right, subject to compliance with the relevant legislation or collective agreements, to change or withdraw any aspect of its total remuneration framework. All programmes are subject to the applicable rules from time to time.

Recognition

In addition to the core remuneration elements set out above, the group also prides itself on the recognition of excellence among employees. To this end the group operates a comprehensive recognition programme comprising both formal and informal recognition.

The core principles of the recognition process are as follows:

- Recognition should be timely and spontaneous.
- Recognition should be specific in that employees must know what behaviours were found desirable and what actions should be repeated.
- Business units determine how recognition will be conducted in their area within specified guidelines.
- The recognition programme incorporates both informal and formal processes. These processes run concurrently throughout the year and support the achievement of the group's business objectives.
- Any awards made under the recognition programme are compliant with the relevant tax legislation.

Non-executive directors' remuneration

The fees of non-executive directors are reviewed annually. In accordance with the relevant corporate governance requirements, these are subject to approval in advance by shareholders at the annual general meeting. Changes to fees, where approved, become applicable on 1 July of each year.

REMUNERATION REPORT

The Remuneration Policy is enabled and supported by decisions made by Group Remco, which is informed by internal rules, procedures and processes. These ensure that the group's predominant approach remains one of consistency and stability, while being cognisant of evolving legislation and remuneration practice. Any changes made are considered carefully to mitigate any unintended consequences or negative effects on the group's stakeholders. LTI awards made to executive directors are, from 2014, subject to performance conditions on 100% of the award, up from 50% in previous award cycles.

With the introduction of the Strategic Initiatives element into our LTI programme, awards made to qualifying executives in 2015 will now include specific performance conditions related to African Collaboration initiatives across the Old Mutual Group. Further details of this arrangement are set out on pages 129 to 138 of this report.

This Remuneration Report sets out the consistent implementation of the Remuneration Policy within the group during 2014, as well as subsequent events in 2015, where applicable.

REMUNERATION GOVERNANCE

Remuneration regulation

Group Remco recognises that, globally, the remuneration environment remains highly regulated. This requires that Group Remco members keep abreast of the changing regulatory landscape, as well as prevailing stakeholder sentiment regarding remuneration matters, and take proactive steps to ensure that the group continues to meet its regulatory obligations in this regard.

Group Remco receives regular updates from either its external advisers or the Group Reward and Performance team on the evolving regulatory environment to ensure that it is able to respond appropriately and timeously to changes in this regard. There have also, for the past three years, been dedicated training sessions, to which all boardmembers are invited, dealing in depth with the issues of remuneration.

Interaction with regulators

During 2014 the group confirmed to SARB that it continues to comply with the IFSB Principles and the associated implementation standards. The promulgation of section 64C of the Banks Act, in respect of which the group confirmed its full compliance and its intention to ensure continued compliance, was an issue raised by SARB this year. The group also continues to be fully compliant with regard to its practices relating to the alignment of remuneration to the long-term risks of the business.

Composition of Group Remco

Group Remco currently consists of four members, the majority of whom are independent non-executive directors. The committee has an independent chairman.

Group Remco met five times during 2014. Details of attendance at the meetings are set out online in the integrated report.

The CE, Chief Operating Officer (COO) and Group Executive: Human Resources are permanent invitees to Group Remco meetings. However, none of these attendees are present at discussions on their own remuneration. The meetings are also attended by the executive responsible for the reward and performance function in the group, as well as any external advisers whom Group Remco may deem necessary from time to time.

All members of Group Remco act as trustees of the Nedbank Group (2005) Employee Share Trust. The trustee meeting for this scheme was held on 24 November 2014.

Group Remco appointed PricewaterhouseCoopers Inc. (PwC) to conduct an independent review of the group's Remuneration Policy as well as the implementation of the group's remuneration practices. No material issues were raised in this regard. The group is pleased with the results of the review and will continue to consider ways in which to improve its remuneration practices.

Functioning of Group Remco

Group Remco is delegated by the board to discharge its corporate governance duties related to remuneration strategy, policy and practices. The board ensures that Group Remco is:

- constituted in a way that enables it to exercise competent and independent judgement on remuneration policy and practices, while also considering the management of related risk;
- independently engaged by the GRCMC for specific risk-related decisions;
- functioning in compliance with statutory requirements, codes of relevant best remuneration practice as well as applicable regulatory requirements and its board-approved charter; and
- remaining responsive in terms of risk-adjusted remuneration practices.

Group Remco's responsibilities, which are groupwide in their application, are set out in the Group Remco Charter. The charter has been amended and approved to take into account section 64C of the Banks Act and is available online.

Group Remco applies the guiding principles of the Remuneration Policy as far as is feasible, but retains the right to apply discretion to deviate from this policy in exceptional circumstances. There were no requirements for such deviation in 2014.

Group Remco membership in 2014 was as follows:

Name	Directorship status	Current membership
Paul Mpho Makwana (Chairman)	Independent non-executive director	Current member
Nomavuso Patience Mnxasana	Independent non-executive director	Current member
Julian Victor Frow Roberts	Non-executive director	Current member
Malcolm Ian Wyman	Lead independent non-executive director	Current member

ROLES AND ACCOUNTABILITIES

BOARD

Accountable for organisational governance. Provides mandate to Group Remco.

GROUP REMUNERATION COMMITTEE

Oversight and approval of Remuneration Policy and reward programmes. Approval of senior executive remuneration.

GROUP RISK AND CAPITAL MANAGEMENT COMMITTEE

Oversight and input regarding risk and remuneration. Works with Group Remco to ensure appropriate risk adjustment in remuneration structures.

INDEPENDENT ADVISERS

Independent advice on best practice, benchmarking and remuneration governance issues.

GROUP EXCO

Proposal of reward programmes and structures to Group Remco. Oversight and implementation of approved remuneration programmes.

GROUP REWARD AND PERFORMANCE

Develop reward strategy and supporting policies and programmes. Execution of reward initiatives.

LINE MANAGEMENT

Implementation of reward programmes, with employees adhering to reward policies and processes.

HUMAN RESOURCES

Implementation of reward policy and strategy with line management support and advice.

EMPLOYEES

Adherence to reward policies and processes.

Group Remco's self-assessment, conducted in the last quarter of 2014, to evaluate its effectiveness against the objectives of its charter revealed no material issues.

Advice to Group Remco

Group Remco has full access to independent executive remuneration consultants, and has utilised the services of Vasdex Associates Proprietary Limited and PwC during 2014.

Group Remco is provided, through the group reward and performance function, with market-related remuneration information based on a number of independent remuneration surveys in which we participate. These include the PwC Remchannel surveys, the Global Remuneration Solutions/Mercer Top Executive Remuneration Survey, the LMO Executive Remuneration Survey and a number of smaller niche or bespoke remuneration surveys.

REMUNERATION ELEMENTS: MATERIAL PROGRAMMES

The group's remuneration elements are set out in detail in the Remuneration Policy on pages 122 to 125 of this Remuneration Report. In this section material remuneration programmes or practices are highlighted.

Total remuneration mix

The Nedbank total remuneration mix is depicted as follows:

Details of the items in the diagram set out below are included in the Remuneration Policy on pages 122 to 125 of this Remuneration Report. However, in some instances, further details are provided on the pages that follow to ensure greater understanding of Nedbank's approach.

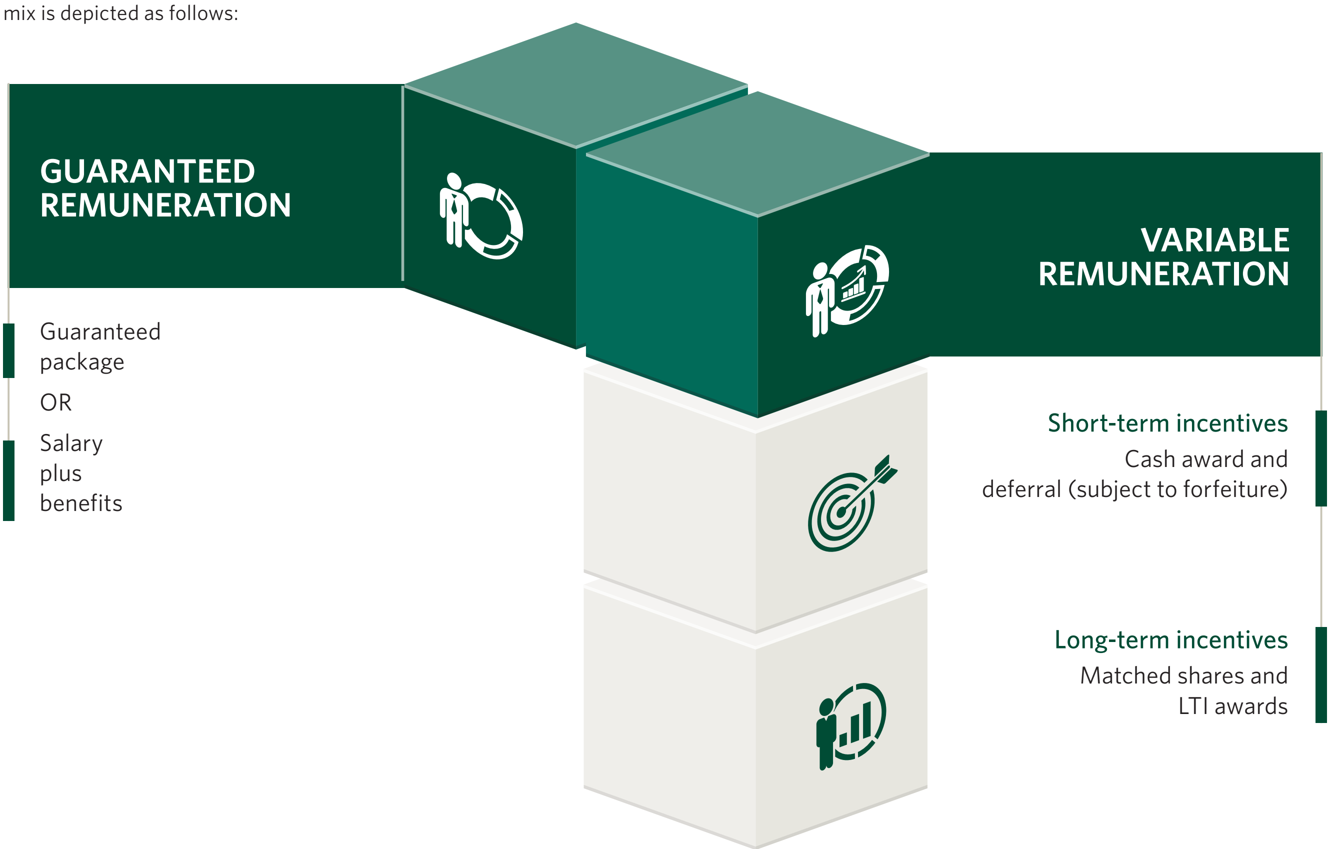
Retirement schemes

Our principal position on retirement schemes remains that these should be of a defined-contribution nature, with appropriate employee involvement in the governance of these schemes through representation on boards of trustees. We are, however, cognisant of the fact that the scheme design and governance will be largely influenced by local statutory and regulatory conditions. Detailed financial disclosures are set out in the consolidated annual financial statements available online.

SA employees (part of guaranteed package)

The majority of SA employees (and specifically all appointees since 1 January 1994) are members of the Nedgroup Defined-Contribution Pension or Provident Fund. Both include flexible contribution levels and member investment choice. At 31 December 2014 a total of 9 665 employees were members of the Defined-Contribution Pension Fund and 17 988 employees were members of the Defined-Contribution Provident Fund.

The group has taken a decision to transition both of its defined-contribution funds into the Old Mutual SuperFund, which is an umbrella fund. This transition was effective 1 January 2015, and is envisaged to be concluded during the course of the first quarter of 2015.



We also have the closed Nedgroup Defined-Benefit Pension Fund, with 244 active members and 2 967 pensioners at 31 December 2014. The Nedgroup Defined-Benefit Pension Fund is fully funded, with an actuarial surplus. This fund will remain standalone.

Employees outside SA (either provided as part of the guaranteed package or as a standalone employee benefit)

Our non-SA operations run a variety of defined-contribution and legacy defined-benefit schemes for the benefit of employees. These are all governed in accordance with the local regulatory environment. Where defined-benefit plans are in deficit, appropriate steps are in place to manage the financial impact of such deficits. Existing defined-benefit-plan deficits are not regarded as posing any material risk to the financial sustainability of the group.

Postretirement medical aid fund subsidisation

A postretirement medical aid fund exists, which provides qualifying employees in SA with a postretirement medical aid subsidy promise. Approximately 78% of active employees participate in the benefit. This promise is contingent on the employee actually retiring from the bank, and is not transferable or encashable. The fund is currently fully provided for.

The postretirement medical aid prefunding reserve has been migrated to a policy held with Old Mutual and is managed by a joint Nedbank/Old Mutual Management Committee to ensure that it continues to meet its primary purpose of providing a postretirement medical subsidy for Nedbank retirees.

Short-term incentive schemes

STIs aim to drive the achievement of sustainable results within an agreed risk appetite framework and to encourage behaviours that are consistent with our values and are aligned with the best interests of our stakeholders. Our STI schemes are structured to support collaborative work across different clusters. Group Remco has agreed a set of principles and all group and cluster incentive schemes are designed according to those principles.

Performance is measured at a group, cluster and business unit level against preagreed financial and non-financial targets after the finalisation of the audited year-end results.

In the income-generating clusters incentive pools are structured with a weighting linked to the group, cluster and, where appropriate, divisional performance. The five income-generating clusters within the group (Capital, Corporate, Business Banking, Retail and Wealth), together with the Rest of Africa Division, are measured against a combination of performance targets, namely economic profit (EP), headline earnings (HE) and a set of non-financial targets. The incentive pool for all central clusters are based on a combination of group performance relative to the targets in respect of EP, HE and cluster-specific non-financial performance scorecards.

The detailed process for setting the STI pools is outlined on page 137 of this Remuneration Report.

Distribution of the STI pools at an individual level is on a discretionary basis, is aligned with market practice and utilises individual performance relative to the agreed to deliverables in the performance management process. In view of the importance of long-term sustainability of performance, a portion of the STI earned above a predetermined threshold is deferred, and remains at risk over a future settlement period.

The total STI pool approved for distribution by Group Remco in respect of the 2014 financial year was R2 100m (2013: R1 825m). Furthermore, in accordance with the provisions of its charter, Group Remco approved 26 individual STI payments (2013: 31) in excess of 200% of GP in respect of the 2014 financial year.

Deferral of short-term incentives

STIs above R1m are subject to deferral into the Compulsory Bonus Share Scheme (CBSS), which operates under the terms of the Nedbank Group (2005) Matched Share Scheme. This arrangement has been in place since 2010. Deferral takes place in respect of 50% of any amount over R1m, and applies on a posttax basis. Amounts are deferred over a period of 30 months, with releases from forfeiture taking place in equal proportions at six months, 18 months and 30 months from the date of award. However, to be eligible for a match on these shares the individual must retain the shares in the scheme for a full period of 36 months. This is addressed in further detail below.

Awards in each tranche are subject to a formal release-from-forfeiture decision, which is subject to board approval and dependent on there having been no material events that would, at the absolute discretion of Group Remco, warrant forfeiture of the particular tranche of the individual awards. If a forfeiture event is declared, the awards for the applicable tranche lapse in part or full, without any option for retesting. Awards are subject to forfeiture in the event of resignation or dismissal for cause (a so-called 'fault' termination).

Employees may also elect to defer a portion of their posttax STI voluntarily into the Matched Share Scheme, subject to the total deferral (including compulsory deferral) not exceeding 50% of the total posttax STI award. Any voluntary deferral must similarly be held in the scheme for 36 months to qualify for the match, as set out below.

Matching of deferred short-term performance incentive awards

In terms of the Matched Share Scheme rules, should there be no forfeiture of awards as outlined above and the employee retains the shares in the scheme for a period of 36 months, he or she may receive matched shares of either 50% or 100% of the number of shares held by him or her in the scheme for the relevant allocation year. The former is based on the employee remaining in the scheme for the stipulated period, whereas the latter is based on both time and the achievement of a predefined corporate performance target (CPT). In practice, this means that where the employee is at the current highest marginal tax rate and the full after-tax amount of the STI is committed to the Matched Share Scheme for 36 months and the performance condition is met, the STI can increase by 30% on its original value, before taking account of any movement in the share price.

A cash-settled compulsory STI deferral is used for all employees employed in the UK who earned an STI in excess of £150 000. No (2013: two) UK-based employees earned STIs in excess of the threshold for financial year 2014 (payable in 2015).

Special-purpose short-term variable remuneration

In exceptional circumstances, typically in the context of hiring senior and key employees, we use preapproved special-purpose short-term variable remuneration arrangements.

Scheme type	Scheme description	Scheme governance	Number of awards
Signon bonuses	Cash awards made to prospective employees on joining the group, typically awarded to compensate for loss of certain accrued benefits or to make them whole in terms of existing contractual obligations.	Group Remco approves an annual pool from which the CE may allocate awards. Recommendations are received from Group Exco members. Awards are subject to clawback provisions in respect of termination of services before a prestipulated timeframe.	12 awards (2013:10) totalling R6,23m (2013: R2,86m).
DSTI awards	DSTI awards are cash-based awards, comprising an upfront payment (typically 40% of the award), with a deferred component (the remaining 60%) payable subject to a minimum time-based condition.	Group Remco approves an annual pool for DSTIs. Motivations for awards are made by Group Exco members and approved by the CE. Awards may not be considered for the current CE or for existing members of Group Exco, but may be considered on a highly exceptional basis as part of the total remuneration package in the event of appointment of new Group Exco members from outside the group. Awards are subject to clawback (for the component already paid) and to forfeiture of the remaining portion in the event that the recipient leaves the employ of the group during the tenure of the award. Awards are also subject to an ongoing minimum individual performance requirement, which, if not met, may result in the lapse of the deferred tranche in full.	19 awards (2013: 6) totalling R16,4m (2013: R6,1m). The increase in the number and value of awards approved is in relation to a number of senior and highly specialist appointments made in 2014, and the need to implement specific retention initiatives in certain scarce skills environments.

The group does not, as a matter of course, award guaranteed bonuses.

Long-term incentives

LTIs are awarded with the joint aims of aligning performance with the interests of stakeholders and of retaining key employees. Criteria and the quantum of allocations are benchmarked to the market annually. The allocation of LTIs is discretionary and is based on the following key eligibility criteria:

- Strategy and individuals key to driving the business strategy.
- Talent management strategy and succession planning.
- Retention of key talent and scarce skills.
- Transformation objectives.
- Potential and performance.
- Leadership.

All LTI allocations are motivated by Group Exco and approved by Group Remco members in their capacity as trustees of the Nedbank (2005) Employee Share Scheme Trust. Specific approval is also required for all LTI awards greater than 100% of GP.

The various LTI schemes are indicated below. The operation of the international Long-term Incentive Plan (LTIP) has been brought in line with the Nedbank Group (2005) scheme, but on a phantom basis.

Overview of the group's long-term incentive arrangements under the Nedbank (2005) Employee Share Scheme

The Option Scheme

No awards have been made in terms of this section of the scheme since 2007 and there are no unvested awards in this scheme.

Restricted Share Scheme: annual allocations

Group Remco issued restricted shares with a three-year vesting period to eligible participants on the following basis:

- At least 50% performance shares: restricted shares with CPTs, but with a higher percentage applying for executive directors (100%) and members of Group Exco and cluster executive committees (60%).
- Balance as retention shares: restricted shares without CPTs.

All awards made to executive directors are subject to CPTs on 100% of the award.

Restricted Share Scheme: on-appointment allocations

On-appointment, restricted-share allocations with a three-year vesting period are offered at the discretion of Group Remco to new senior managers and also on an exceptional basis to employees who have been appointed to more senior positions and have been recommended for an allocation by Group Exco.

On-appointment allocations take place biannually (and by exception on the date of appointment, with specific approval), three trading days after the announcement of the annual or interim financial results. Allocations are made on the following basis:

- At least 50% performance shares: restricted shares with CPTs, but with a higher percentage for executive directors and members of Group Exco and cluster excos, as set out above.
- Balance as retention shares: restricted shares without CPTs.

All on-appointment awards made to executive directors (including on appointment to an executive director role) are subject to CPTs on 100% of the award.

Strategic Initiative element in the Nedbank long-term incentive plan

- It was agreed by the Remuneration Committee that 20% of the total LTI award made to members of Group Exco and cluster excos will be subject to a broader Strategic Initiative performance condition. In 2015 this will be aligned to the delivery of the combined target of R1bn of pretax synergies by the end of 2017 across the Old Mutual Group and will be standard across all three Africa-based entities in the Old Mutual Group. The award will be delivered in Nedbank shares and will be subject to a stipulated minimum amount of the R170m of the R1bn in synergies accruing to Nedbank. For executive directors this changes the mix of performance conditions (since they are already subject to 100% CPTs) and for the remainder of the participants this increases the proportion of LTIs subject to CPTs. LTI awards will be subject to performance conditions on the following basis in 2015:

Metric		Executive directors	Group and cluster exco members	All other Nedbank LTIP participants
% of award vesting with CPTs	ROE (excl goodwill) vs COE	40%	20%	25%
	Share Price vs Fini 15	40%	20%	25%
	Strategic Initiative	20%	20%	–
% of award vesting with no target		–	40%	50%

Further details of the actual CPTs are set out on page 138 of this Remuneration Report.

Matched Share Scheme

The Matched Share Scheme provides a vehicle for the compulsory deferral of STI awards in excess of R1m. There is also an opportunity for employees to participate in the scheme by way of a voluntary investment. The details applicable to deferral and potential matching of deferred awards are set out on pages 128 to 129 of this Remuneration Report.

In this regard employees also have a voluntary opportunity to allocate a portion of their STI, to a maximum of 50% of their total after-tax STI (inclusive of any compulsory deferral), towards the acquisition of Nedbank Group shares. Employees may also deposit personally held Nedbank Group shares to the equivalent value into the trust that administers this scheme. The incentive to do so is a matching of this investment, to a maximum equivalent value on a one-for-one basis.

The scheme's obligation to deliver or procure the delivery of the matched shares in both the compulsory and voluntary arrangements rests on two conditions, namely that:

- for 50% of the matched shares, employees are still in the service of the group on the vesting date three years after allocation under the Matched Share Scheme; and
- for the remaining 50% of the matched shares, the group has met an agreed performance target over a three-year period. This is currently that the return on equity (ROE) (excluding goodwill) must equal or exceed the cost of equity (COE) plus 2%

Other long-term incentive schemes in operation

Phantom Cash-settled Restricted Share Plan

During 2007 Group Remco approved the Phantom Cash-settled Restricted Share Group Plan (the Nedbank UK LTIP) for key employees in the UK. The design principles and structure mirror the Nedbank (2005) Group Employee Share Scheme. From 2015 LTI awards made to employees in the rest of Africa subsidiaries will be made from the phantom plan to address taxation and exchange control issues that have been identified.

Nedbank Africa subsidiary schemes

There are approved schemes in Nedbank Namibia, Nedbank Swaziland and Nedbank Malawi.

Full details of the number and value of awards granted during the year in terms of our share-based plans are included in the Consolidated Annual Financial Statements, which are available at **nedbankgroup.co.za**.

Corporate performance targets

Group Remco approved the use of a combination of appropriately weighted internal absolute and external relative CPTs for the performance shares awarded in 2014, which have remained unchanged since these targets were originally set in 2010. The details of these targets are set out on page 138 of this Remuneration Report. The introduction of the Strategic Initiative element into the plan will change the proportion of awards subject to CPTs, as set out on page 129 of this Remuneration Report.

CPTs may not be altered once they have been set. This is in accordance with global best practice and the provisions of the relevant remuneration regulations.

Vesting of share awards in 2015

Nedbank Group issued restricted shares in March and August 2012, with vesting thereof linked in equal proportions to a combination of time and the group's meeting certain performance conditions. In respect of the time-based awards vesting took place at 100% and in respect of the performance-condition-based awards vesting took place at 37,9% of the award. In 2012 the same vesting arrangements applied in respect of the awards issued to all employees who participate in the scheme with the increased element of the LTI having CPTs for executive directors only being introduced in 2014. Where necessary, in the case of executive directors and the Company Secretary, the necessary Securities Exchange News Service (SENS) announcements were issued at the prescribed times in this regard.

Nedbank Eyethu employee schemes

We implemented our black economic empowerment staff schemes in August 2005. The following employee schemes were approved at that time:

Scheme name	New awards during 2014	Total beneficiaries at 31 December 2014	Total number of shares at 31 December 2014
Black Executive Trust	0	42 (2013:53)	1 109 967
Black Management Scheme	0	680 (2013:1038)	2 690 516
Evergreen Trust[1]	0 (2013:1 123)	4 788 (once-off awards are made)	923 342
Broad-based Scheme	Fully vested on 27 July 2010	508	318 (held by a beneficiary)

[1] *The Evergreen Trust was created with the specific purpose of improving the living standards and personal circumstances of black permanent employees at the lower-income levels by providing grants and/or benefits to qualifying employees.*

Share and share option allocations may be made to new and internally appointed employees, in accordance with the scheme rules and the respective trust deeds.

Rest of Africa empowerment schemes

No allocations were made under the Nedbank Swaziland Sinakekelwe Employee Share Scheme and the Nedbank Namibia Ofifiya Black Management Scheme in 2014.

Empowerment or 'indigenisation' schemes were approved during 2013 for the group's subsidiaries in Lesotho, Malawi and Zimbabwe. These are currently being implemented.

Collective bargaining regarding remuneration increases

Certain categories of employees in SA are covered under collective bargaining agreements with Sasbo: The Finance Union and the Insurance and Banking Staff Association (IBSA). At 31 December 2014 a total of 68% of our employees constituted the bargaining unit. In April 2014 a total pool of 8,1% of the guaranteed-remuneration bill for employees in the bargaining unit was made available for annual increases and approximately 5,5% and 5% for the non-bargaining unit and executives respectively. The minimum GP for permanent, fulltime employees in SA was increased by 9,1% to R120 000 per annum.

Collective bargaining arrangements also exist in our Rest of Africa subsidiaries in Lesotho, Namibia, Swaziland and Zimbabwe. Care is taken that salary increase settlements in respect of these are appropriate within the context of local market and economic conditions.

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

Prescribed officers

The managing executives of the four frontline, income-generating clusters are included in the disclosures set out on the next page. The board has approved the executives to be regarded as prescribed officers. During 2014 Ingrid Johnson ceased to be a prescribed officer on 30 June and Philip Wessels was appointed as a prescribed officer as of 1 August.

Increase in guaranteed package

The remuneration for the CE, executive directors and prescribed officers are adjusted with effect from 1 April 2015. Increases for executive directors and prescribed officers take into account market benchmarks, performance and remuneration levels relative to those of peers. There is also appropriate consideration of calls for restraint in regard to remuneration. The GPs of the CE and other executive directors were considered and recommended to the board by Group Remco, with a further approval by Old Mutual plc for the CE.

The following adjustments to GP were approved by Group Remco for implementation on 1 April 2015 (unless otherwise indicated):

	*Guaranteed package		Yoy movement		
	New GP effective April 2015 (R000)	GP at April 2014 (R000)	GP at April 2013	2014–2015 % change	2013–2014 % change
Mike Brown	7 500	7 200	6 600	4,2	9,1
Graham Dempster	5 250	5 000	4 435	5,0	12,7
Raisibe Morathi	4 200	3 900	3 570	7,7	9,2
Ingrid Johnson[1]		4 650	4 200		10,7
Brian Kennedy	4 200	4 000	3 780	5,0	5,8
Dave Macready	3 940	3 750	3 300	5,1	13,6
Mfundo Nkhulu[2]	5 000	3 750	3 500	33,0	7,1
Philip Wessels[3]	4 650				

* *Audited*

[1] *Ingrid Johnson joined Old Mutual plc on 1 July 2014.*
[2] *New GP, effective 1 January 2015, to coincide with appointment as Chief Operating Officer and to the board. No April 2015 increase applied.*
[3] *New GP, effective 1 August 2014, to coincide with appointment as Group Managing Executive, Retail and Business Banking. No increase applied in April 2015.*

The 2014 increases to GP were informed by an extensive role evaluation and multiple remuneration benchmarking exercises, including that conducted with GRS/Mercer SA in respect of each individual executive director and prescribed officer. This alignment to market has ensured that we were appropriately placed in 2015, necessitating only standard adjustments to ensure GP levels did not lag.

Appointment increases were also approved for those appointed to new roles on Group Exco, with the result that no April 2015 increase will apply for these members.

Retirement schemes

All executive directors and prescribed officers are members of the Nedgroup Defined-Contribution Pension or Provident Fund. There are no defined-benefit liabilities in respect of the executive directors and prescribed officers. Contributions to the retirement funds form part of the GP.

Service contracts

Service contracts of executive directors and prescribed officers are aligned with the general conditions of service applicable to all group employees based in SA, except for specific provisions relating to notice periods.

Service contracts are subject to the following notice and retirement conditions:

	Notice period	Retirement age
Chief Executive	12 months	60
Executive directors	6 months	60
Prescribed officers	1 to 3 months	60

New appointments to Group Exco will be placed on a standard six-month notice period.

Termination arrangements

Executive directors and prescribed officers are entitled to severance pay equal to two weeks' GP per completed year of service if their services are terminated by the company on a no-fault basis. Contractual notice (where applicable) and accrued leave will also be paid out in the normal course.

Treatment of any unpaid bonus, unvested deferrals or unvested LTI awards will be dealt with in accordance with the rules of the various schemes, and will in all instances be subject to Group Remco and board oversight and approval. There are no special termination arrangements or golden-parachute agreements in place.

Ingrid Johnson moved from Nedbank to Old Mutual plc as the Group Finance Director. It was agreed that she would be granted eligible-leaver status for all historic LTI awards, except the award made in March 2014, which was forfeited in full. Eligible-leaver treatment was also approved in respect of all deferred STI awards not yet released from forfeiture. All awards will remain subject to the relevant rules in this regard, with no early vesting applying, other than in the case of death.

Short-term incentive scheme targets

STI amounts awarded for 2014 to all executive directors and prescribed officers were based on a combination of performance against preagreed targets in respect of the level of group and respective cluster EP, headline earnings and performance against their individual performance scorecards, incorporating financial and non-financial measures.

A summary of our 2014 financial and non-financial performance can be found online in the integrated report.

The dimensions used to measure individual performance were:

Theme	Broad objectives	Linkage to strategic focus areas
Financial and business	Delivering sustainable financial outperformance.	Optimise to invest. Strategic portfolio tilt. Pan-African banking network.
Client and relationships	Investing for growth by expanding into the entry-level and middle markets, the public sector and business banking, and implementing the Rest of Africa strategy; improving our client relations by empowering our clients through delivery of affordable banking; and leading as a corporate citizen.	Client-centred innovation. Grow transactional banking franchise. Pan-African banking network.
Management and internal processes	Enhancing productivity and execution; managing risk as an enabler; growing regulatory and government relationships; and growing stakeholder relations.	Strategic portfolio tilt.
Organisational learning, leadership and transformation	Accelerating transformation in support of achieving our transformation targets, objectives and behaviours; and building an innovative and differentiated culture and becoming an employer of choice by creating a great place to work.	Optimise to invest.

For more information on progress made on the group's strategic focus areas refer to our integrated report online.

These are broadly consistent with the dimensions applied in 2013, except that certain metrics will have been updated to include the evolving group strategy.

The following table presents the way in which the STI awards have been determined, based on the assessment of the group and respective cluster headline earnings and EP performance as well as the performance of each executive director and prescribed officer against his or her agreed individual performance scorecard:

	Ontarget STI % of GP	Maximum target STI % of GP	% of GP achieved for group and cluster financial measures	% of GP achieved for individual performance and based on discretion	Final STI as % of GP	Final STI as % of ontarget STI
	A		B	C	D=B+C	E=D/A
Executive directors						
Mike Brown	150	250	162	32	194	129
Graham Dempster	150	250	162	48	210	140
Raisibe Morathi	150	250	162	37	199	133
Prescribed officers						
Brian Kennedy	250	400	283	117	400	160
Dave Macready	150	250	155	38	193	129
Mfundo Nkuhlu	150	250	158	62	220	147
Philip Wessels*	150	250	162	36	198	132
(Rounded)						

* *Calculation for Philip Wessels is based on a blend of his GP levels, given his appointment as Group Managing Executive: Retail and Business Banking in August 2014.*

Minimum shareholding requirements

In November 2012 Group Remco approved a minimum shareholding policy, which will apply to all current and future members of Group Exco, including executive directors and prescribed officers.

In terms of these arrangements the following minimum shareholding levels must be reached within five years from the date of the March 2013 LTI awards or five years from the date of appointment to Group Exco, if later:

Chief Executive	2 times guaranteed package
Executive directors and prescribed officers	1,5 times guaranteed package
Other members of Group Exco	1 times guaranteed package

The CE and outgoing COO have already reached the required holding level, and have maintained compliance with the requirements.

TOTAL REMUNERATION OF EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS (AUDITED*)

Executive directors R000	Mike Brown*			Graham Dempster*			Raisibe Morathi*		
	2014	2013	% change	2014	2013	% change	2014	2013	% change
Cash portion of package	**6 056**	5 614		**3 862**	3 521		**3 177**	2 953	
Other benefits	**130**	118		**141**	129		**91**	142	
Defined-contribution retirement fund	**864**	800		**855**	732		**550**	432	
Guaranteed remuneration	**7 050**	6 532	7,9	**4 858**	4 382	10,9	**3 818**	3 527	8,2
Cash performance incentive	**8 000**	7 000		**5 750**	4 950		**4 375**	3 950	
Deferred performance incentive (delivered in shares)	**7 000**	6 000		**4 750**	3 950		**3 375**	2 950	
Total STI[1]	**15 000**	13 000	15,4	**10 500**	8 900	18,0	**7 750**	6 900	12,3
Total remuneration[2]	**22 050**	19 532	12,9	**15 358**	13 282	15,6	**11 568**	10 427	10,9
Value of share-based awards made in the financial year (face value at award)	**13 000**	13 000		**8 750**	8 250	6,1	**7 000**	7 000	
Total direct remuneration[3]	**35 050**	32 532	7,7	**24 108**	21 532	12,0	**18 568**	17 427	6,5
Other payments[4]					21				

Prescribed Officers R000	Ingrid Johnson[5]*			Brian Kennedy*			
	June 2014	2013	% change	2014	2013	% change	
Cash portion of package	**1 846**	3 462		**3 346**	3 381		
Other benefits	**40**	63		**323**	93		
Defined-contribution retirement fund	**333**	625		**276**	261		
Guaranteed remuneration	**2 219**	4 150		**3 945**	3 735	5,6	
Cash performance incentive		4 250		**8 500**	7 000		
Deferred performance incentive (delivered in shares)		3 250		**7 500**	6 000		
Total STI[1]		7 500		**16 000**	13 000	23,1	
Total remuneration[2]	**2 219**	11 650		**19 945**	16 735	19,2	
Value of share-based awards made in the financial year (face value at award)[10]		10 000[11]		**9 500[9]**	7 000	35,7	
Total direct remuneration[3]	**2 219**	21 650		**29 445**	23 735	24,0	
Other payments[4]							

** Audited*

[1] In terms of the rules of the Matched Share Scheme, this amount may increase by up to 30% (before share price movement), subject to fulfilment of the corporate performance target, and the amount remaining invested in the scheme for 36 months.

[2] Total remuneration is the sum of guaranteed remuneration and total STI.

[3] Total direct remuneration is the sum of total remuneration and the value of share-based awards made in the financial year.

[4] Other payments are typically non-recurring payments and include leave pay and special payments, but excludes gains from vesting share awards, which are set out in the table on pages 144 to 151 of this report.

[5] Ingrid Johnson joined Old Mutual plc on 1 July 2014. Payments reflect part-year of service.

[6] Philip Wessels became a prescribed officer on 1 August 2014. Guaranteed remuneration payments are prorated to reflect this. Variable remuneration (STI and LTI) is reported on a full-year basis.

[7] R5 000 000 of this award was awarded in November 2014, to coincide with Mr Wessels' appointment as Group Managing Executive: Retail and Business Banking. This portion of the award will apply in respect of the 2014–2016 financial years.

[8] R5 000 000 of this award is an on-appointment award to coincide with Mr Nkuhlu's appointment as COO.

[9] R4 000 000 of this award is an on-appointment award to coincide with Mr Kennedy's appointment as Group Managing Executive: Corporate and Investment Banking.

[10] Awards listed under 2014 were granted in March 2015 and apply in respect of the 2015–2017 financial years. Awards listed under 2013 were granted in March 2014 and apply in respect of the 2014–2016 financial years.

[11] The R10 000 000 award was forfeited in full by Ingrid Johnson upon her joining Old Mutual Plc.

	Dave Macready*			Philip Wessels[6]*			Mfundo Nkuhlu*		
	2014	2013	% change	**2014**	2013	% change	**2014**	2013	% change
	2 926	2 573		**1 775**			**3 124**	2 931	
	164	166		**55**			**112**	102	
	547	485		**144**			**452**	423	
	3 637	3 224	12,8	**1 974**			**3 688**	3 456	6,7
	4 250	4 000		**4 500**			**4 625**	4 250	
	3 250	3 000		**3 500**			**3 625**	3 250	
	7 500	7 000	7,1	**8 000**			**8 250**	7 500	10,0
	11 137	10 224	8,9	**9 974**			**11 938**	10 956	9,0
	6 500	6 750	(3,7)	**10 500[7]**			**11 750[8]**	8 500	38,2
	17 637	16 974	3,9	**20 474**			**23 688**	19 456	21,8

Deferred short-term incentive awards

There are no outstanding DSTI awards in respect of current executive directors and prescribed officers, who are not eligible for these awards.

RISK AND REMUNERATION

We have an integrated process of managing the relationship between risk and remuneration. The board has ensured that there is cooperation between Group Remco and the GRCMC to ensure appropriate consideration of the overall risk environment when making remuneration decisions. Key matters related to risk aspects of remuneration are discussed with the GRCMC. This reflects our commitment to achieving a balance between the prudent management of remuneration within the context of both our risk appetite and risk profile, and the need to attract, retain and motivate key talent to enable the delivery of our strategic objectives.

Taking account of future and current risks in the remuneration process

The STI scheme has been designed to incentivise a combination of profitable returns, appropriate risktaking and growth. It is driven from an EP and headline earnings basis, using risk-based economic capital allocation as set out in the Risk and Balance Sheet Review available online.

We operate a comprehensive internal capital adequacy assessment process blueprint that addresses the nature and type of risk incorporated into the overall framework. The framework integrates with our STI pool arrangements and individual performance scorecard assessments, which in turn inform the distribution of STIs from the derived business STI pools.

As in previous years, the STI pools incorporate ex ante or 'before the fact' risk adjustments. This is built into the pool allocation process, which is set out on page 137.

- Group Remco approves an ontarget STI pool at the beginning of the year. At year-end 50% of the overall group pool is based on performance versus headline earnings targets and 50% on performance against EP targets, together with a non-financial modifier, as set out below.
- Prior to distribution, the cluster pools may be adjusted (either up or down) by a maximum of 15% by using the relevant Group Exco member's individual non-financial scorecard assessment, which itself incorporates further risk assessment metrics.
- Altogether 50% of each cluster STI pool is determined by using performance versus headline earnings targets and 50% is based on performance versus EP targets (for line clusters there is a 30/70 split between group and cluster performance, except for Nedbank Capital, where the split is 15/85).
- EP per cluster is determined by using economic capital allocated to each cluster, incorporating the various risk elements described in the Group ERMF.
- These mechanical calculations and adjustments (which include the application, where appropriate, of a group-level non-financial modifier) are presented to Group Remco (tasked with assisting the board), which then ratifies a final set of cluster pools (the group bottomup cluster pools), which may not differ more than 10% from the total STI pool determined based on group EP and headline earnings alone (the group topdown pool).
- The total allocated STIs (for all employees across all jurisdictions and including the pools for stockbrokers and analysts mentioned below) must stay within the totals approved by Group Remco.
- Any individual STI payment in excess of 200% of GP must be individually motivated and approved by Group Remco.

The following categories of employees are excluded from the distribution process outlined above:

- Stockbrokers, since they are paid on a six-monthly basis from a bespoke STI arrangement based on predetermined contractual arrangements (certain business risk elements are included in the formulaic determination for the stockbrokers' pool). The pool allocated is included in the overall Nedbank Wealth pool.
- Analysts in Nedbank Capital, since their STIs are predominantly determined using *Financial Mail*-published ratings.
- Participants in the private-equity 'locked box' remuneration scheme, which is the market norm for private-equity collective-investment performance-based remuneration, based on a sharing of 'carried interest' on realised investments.

We utilise a three-year budgeting, forecasting and planning process, which is fully cognisant of projected risk parameters, capital buffers and impairment provisions, and the likely impact thereof on future remuneration practices. There have been no material changes in the measures used over the past year.

Mitigating the effect of inappropriate performance metrics

Inappropriate performance metrics would typically manifest when the year-on-year change in remuneration is seen to be abnormal (either too high or too low relative to performance and market benchmarks) or is unduly volatile.

The current STI scheme was implemented in 2009 and ensures a balanced approach to the determination of the STI pool.

To avoid the consequences of inappropriate performance metrics, which include extended periods in which no LTI vesting takes place, awards made from 2010 onwards are subject 50% to performance conditions and 50% to time-based vesting. For members of Group Exco and cluster excos this will change to 60% of the total award being subject to performance conditions. All LTI awards made to executive directors are subject to performance conditions on 100% of the award. Changes that will apply from 2015 in terms of the applicable proportionality of the CPTs are set out on page 129 of this Remuneration Report.

Managing the franchise risk inherent in reward programmes

The impact of inappropriate performance metrics on reward programmes has a material franchise risk implication. This is exacerbated when deferred or LTI remuneration lapses, in spite of highly competitive business results, shareholder returns or share price performance. This risk manifests in increased turnover of skilled employees, the erosion of perceptions of the competitiveness of the firm's remuneration offering (and in 'discounting' of the value of LTI awards by participants), a reduction in external perceptions of the firm's being a preferred employer and an increase in hiring cost (and the associated opportunity cost of getting employees to full performance in a new role).

It is a key principle of our Remuneration Policy that there should be appropriate sharing of value among stakeholders. Therefore, while employees should not suffer material disadvantage or prejudice because of remuneration design issues, we are cognisant of the fact that remuneration programmes should equally not be designed to favour or benefit employees at the expense of other stakeholders.

Key considerations regarding the ongoing appropriateness of our LTI scheme includes:

- Exposure of remuneration programmes to the group's share price is inherently risk-adjusted. The experience of participants in the share plans (for whom awards are part of annual remuneration, which is deferred over a prespecified period) therefore mirrors that of shareholders in terms of share price movements.
- The component of our LTI programme that is subject to performance conditions is not highly leveraged. Significant outperformance against the measures results in a maximum upside of 130% for performance shares. Downside risk, on the other hand, could see performance share awards reduced to zero in instances of material underperformance. This provides protection against inappropriate windfall.
- Our 'value at award' for LTIs is not adjusted or grossed up for projected vesting probability. This means that awards are made with a reasonable assumption that full vesting may be likely. This risk is, for us, an inherent consequence of participation in the scheme.

Linking performance and reward

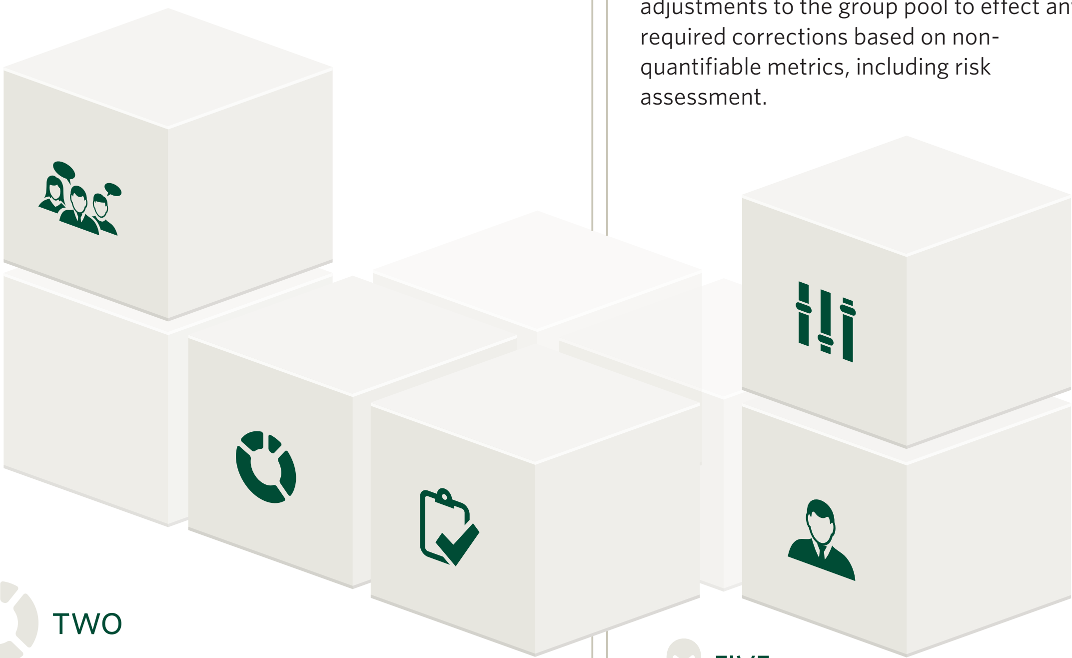
The annual STI process is indicated in the diagram below, which describes the process of STI pool creation and distribution based on individual performance and discretion, using both quantitative and qualitative steps in the process.

QUANTITATIVE APPROACH STEPS

ONE

Total group pool

The overall group pool is approved by Group Remco relative to benchmarks. The allocation of the Group Remco-approved group pool to each cluster for ontarget performance is done by the CE, with input from Group Exco.



TWO

Headline earnings and EP performance

A total of 50% of the year-end cluster pools is determined based on year-end EP performance relative to target.

A total of 50% of the year-end cluster pools is determined based on year-end headline earnings performance relative to target.

There is a 10% limit set for the bottomup cluster pools relative to the overall group pool.

THREE

Balanced scorecard

The financially determined pools (topdown and bottomup) are adjusted by a maximum of ±15% based on the non-financial elements of relevant Group Exco members' scorecards.

Risk metrics are included in the relevant scorecards and aligned with the group three-year plan and risk frameworks.

QUALITATIVE APPROACH STEPS

FOUR

Bonus pool adjustments

The CE makes discretionary adjustments to quantitatively determined cluster pools based on judgement and non-quantifiable metrics. Group Remco makes discretionary adjustments to the group pool to effect any required corrections based on non-quantifiable metrics, including risk assessment.

FIVE

Individual bonus proposals

Individual bonus proposals are discretionary and no fixed formulaic approach is used by the bank.

All cluster executive bonus proposals are analysed by Group Exco and the necessary adjustments made to ensure appropriate consistency across the bank.

All Group Exco bonus proposals are individually motivated and recommended by Group Remco to the board.

The CE bonus requires Nedbank board approval and approval by the Old Mutual plc Remco.

All senior functional bonuses (including risk and finance) are reviewed and ratified by the relevant Group Exco member.

All proposed bonuses in excess of 200% of GP require motivation and Group Remco approval.

- The component of awards made under the retention share element of the plan is a powerful retention mechanism for key talent and scarce skills. We have one of the lowest levels of employee turnover in the financial services sector and have received positive commentary on the stability and combined experience in the group of our leadership team. Awards are also typically made only to individuals who are meeting the requisite minimum performance standards.
- Our Matched Share Scheme introduces a strong incentive for our leadership team to co-invest in the group. The requirement to remain in the Matched Share Scheme for a minimum of 36 months (against the backdrop of releases from forfeiture – and therefore entitlement to encash the deferrals – at six, 18 and 30 months) assists in creating a longer-term focus for our senior leadership. The performance condition attached to one half of the match also ensures that there is a minimum return before any such benefit accrues to participants. In practice this means that, where the employee is at the highest marginal tax rate and the full after-tax amount of the STI is committed to the Matched Share Scheme for 36 months and the performance condition is met, the STI can increase by 30% on its original value, before taking account of any movement in the share price.
- *Malus* provisions are in place in respect of deferred STI awards to enable mitigation of inappropriate risktaking and an appropriate penalty in instances of *malus* or misconduct.
- We acknowledge that there are many different aspects that could be considered in terms of what metrics are used in setting performance conditions. Having considered various alternatives, we are comfortable that the absolute internal measure of ROE (excluding goodwill) versus COE and the relative external measure of the performance of the Nedbank Group share relative to the Fini 15 Index remain fit for purpose, and enable the necessary focus on delivering competitive and sustainable returns to shareholders and associated benefits to other stakeholders.

We have also been unequivocal about our adherence to other aspects of good corporate governance in relation to share plans. In this regard share awards in either the Restricted Share Plan or the Matched Share Scheme are not, under any circumstances, backdated. Further, no retrospective adjustments are made to performance conditions to mitigate the impact of weak performance. Therefore, we are of the view that our remuneration practices, and the levels at which these occur, are appropriately competitive relative to those of our peer group.

Adjustments to remuneration based on long-term performance

We are involved in retail banking, wholesale banking and investment banking operations, as well as wealth management and other financial services. The forward-looking business model is based on a rolling three-year plan approach. The mandatory deferral of STIs for up to 30 months and three-year vesting of LTI share allocations (with at least half of the award subject to CPTs) align with this forward-looking business cycle. The deferral period provides for risk-based outcomes to be monitored over the three-year period subsequent to the deferral and enables clawback to be applied where appropriate.

The compulsory deferral of STIs continues for awards made in respect of financial year 2014 performance on a basis consistent with that previously applied. The structure and vesting profile applicable to the deferral of STI awards are set out on page 128 of this Remuneration Report.

Conditional vesting of long-term incentives

The performance share element of the LTI allocation is aligned with both the group three-year medium-to-long-term published ROE (excluding goodwill) target of COE plus 5% (absolute internal target) and the relative performance of the share price (relative external target). From 2015 onwards the Strategic Initiatives element outlined in this report will be included in the LTI arrangements.

The targets used for awards made from 2015 onwards are as follows:

- For the ROE (excluding goodwill) versus COE target, vesting will be based on the simple-average published ROE (excluding goodwill) over a three-year period, compared with the simple-average COE over the same timeframe, according to the following sliding scale (that is, there is a straight-line vesting arrangement based on the actual performance relative to the target):

Vesting ratios based on ROE (excluding goodwill):

COE	COE	COE	COE	COE	COE	COE	COE
+0% or worse	+1,25%	+2,5%	+3,75%	+5%	+6%	+7%	+8% or better
0%	25%	50%	75%	100%	110%	120%	130%

- For the Nedbank share versus FIN 15 Index, vesting will be based on the relative performance of the Nedbank share price versus the Fini 15 Index over the same three-year period, where the starting and end values of the Nedbank share price are calculated based on a 30-day volume-weighted average price (VWAP) and the Fini 15 Index is based on a 30-day simple average.

Vesting ratios based on share price relative to the Fini 15 Index:

Fini 15	Fini 15	Fini 15	Fini 15	Fini 15	Fini 15	Fini 15	Fini 15
-20% or worse	-15%	-10%	-5%		+10%	+20%	+30% or better
0%	25%	50%	75%	100%	110%	120%	130%

As with the COE target, there is a straight-line vesting (on a basis of actual achievement along the continuum as set out in the tables above, rather than on a 'hurdle' basis) arrangement based on the actual performance relative to the target.

- The Strategic Initiatives element in respect of awards to be made in 2015 has been aligned to an African Collaboration target which will be standard across the Old Mutual Group. The performance conditions set out below will be applicable:

A single measure of the run rate on benefits realised in regard to Africa Collaboration will be used as the CPT for the Strategic Initiatives component of the 2015 LTI awards. This target has been selected in support of achieving a target of R1bn pretax synergies across the Old Mutual Group by the end of 2017. The target will be evaluated on a run rate basis at the end of 2017. This will be as follows:

Total Africa Collaboration synergy benefit (applicable to LTI awards in 2015 vesting in 2018)

Total benefits realised	Minimum	Target	Maximum
Africa Collaboration Synergy Target (Rm)	600	1 000	1 200
% of this portion of the award vesting	0%	100%	130%

Linear interpolation will apply between the points in the above table.

The combined vesting percentage, based on achievement relative to the target, will be applied to units vesting in March and August 2018. This is consistent with the evaluation time horizons of both current CPT metrics outlined above.

The evaluation of the total synergies achieved is, however, subject to a precondition that Nedbank achieves benefits of at least R170m. Should Nedbank not achieve benefits equal to or better than this threshold, this portion of the award will not vest, irrespective of the total synergies achieved.

Release from forfeiture of short-term incentive deferral

The deferral and release from forfeiture process is described on page 128 of this Remuneration Report.

The board has absolute discretion as to the quantum and nature of any forfeiture or *malus* triggers related to the compulsory deferral of STI awards. In this regard the deferred amount will be forfeited should the employee resign or be dismissed for cause before the end of the release of the outstanding forfeiture obligations, as well as in cases where, at the sole discretion of the board, material irregularities or misrepresentation of financial results come to light during the deferral period. The board has absolute discretion as to the nature of any action to be taken against the individual, or group of individuals, who may have transgressed. The deferral policy is reviewed annually.

This category of deferred compensation allows any adverse business deals or intentional misrepresentation to come to light in the three years subsequent to the allocation and appropriate action to be taken by the board if deemed necessary.

ADDITIONAL REGULATION 43/PILLAR 3 DISCLOSURES

The disclosure requirements of regulation 43 of the Banks Act set out extensive quantitative and qualitative disclosures that are required to help stakeholders understand the approaches adopted by financial services organisations in respect of risk and remuneration. The majority of these disclosures are addressed elsewhere in this Remuneration Report.

Specific disclosures relating to senior managers and material risk-takers, the quantum of remuneration paid in the year, signon awards, guaranteed bonuses, severance payments and the amount of remuneration subject to adjustment are set out below.

Aggregate remuneration of senior managers and material risk-takers

The tables below set out the aggregate 2014 (and comparative 2013) remuneration of those employees regarded as senior managers and material risk-takers.

Senior managers include executive directors and prescribed officers, members of Group Exco, as well as other members of the group's senior management with executive responsibility for a material part of the group's business.

Material risk-takers include employees whose individual actions have a material impact on the risk exposure of the group, as well as those responsible for setting and monitoring trader mandates and risk and stop-loss limits. Included in this category are the heads of risk and finance, heads of major trading functions and those responsible for material investment decisions within the group. These criteria have not changed from those applied in 2013.

For 2014 a total of 48 (2013: 41) individuals were in roles classified as senior managers and a further 32 (2013: 35) were in roles classified as material risk-takers. There was, however, some movement within the categories and the actual individuals for whom amounts are reported may therefore be different from those in the prior year. In some instances amounts may also be prorated due to part-year service in designated roles.

	2014			
	Senior managers		Material risk-takers	
Total value of remuneration in the 2014 financial year[1]	Unrestricted	Deferred	Unrestricted	Deferred
Fixed remuneration (Rm)	**116,2**		**71,0**	
Variable remuneration – cash award (Rm)	**122,3**		**55,0**	
Variable remuneration – deferred performance incentive (Rm)		**80,3**		**27,0**
Variable remuneration – long-term incentive awards (Rm)		**166,0**		**47,0**
Total 2014 remuneration (unrestricted and deferred remuneration) (Rm)	**238,5**	**246,3**	**126,0**	**74,0**
Total number of employees		**48**		**32**

Value of outstanding deferred remuneration at 31 December 2014	Senior managers	Material risk-takers
Compulsory bonus share scheme (Rm)	130,2	40,2
Restricted share scheme (Rm)	543,3	157,0
Total deferred remuneration outstanding (Rm)	673,5	197,2
Value of deferred remuneration paid out during 2014 (Rm)	180,8	67,0
Value of deferred remuneration forfeited during 2014[2] (Rm)	11,7	4,6

	2013			
	Senior managers		Material risk-takers	
Total value of remuneration in the 2013 financial year[1]	Unrestricted	Deferred	Unrestricted	Deferred
Fixed remuneration (Rm)	108,3		71,5	
Variable remuneration – cash award (Rm)	105,4		51,8	
Variable remuneration – deferred performance incentive (Rm)		64,4		21,6
Variable remuneration – long-term incentive awards (Rm)		136,9		37,6
Total 2013 remuneration (unrestricted and deferred remuneration) (Rm)	213,7	201,3	123,3	59,2
Total number of employees		41		35

Value of outstanding deferred remuneration at 31 December 2013[1]	Senior managers	Material risk-takers
Compulsory bonus share scheme (Rm)	86,7	25,6
Restricted share scheme (Rm)	468,1	143,7
Total deferred remuneration outstanding (Rm)	554,8	169,3
Value of deferred remuneration paid out during 2013 (Rm)	180,2	60,3
Value of deferred remuneration forfeited during 2013[2] (Rm)	27,0	8,0

[1] *The amounts reflected in the tables above relate to actual awards made or remuneration received in the period from 1 January to 31 December.*
[2] *Forfeiture of deferred remuneration due to non- or partial fulfilment of performance conditions on share awards.*

Remuneration subject to adjustment in 2014

The total amount of outstanding deferred remuneration exposed to after explicit and/or implicit adjustments is indicated in the following table:

Year	Amount	
FY2014	**R2 575m[1]**	This is a combination, at 31 December of each year, of the following: ■ All unvested RSP awards ■ All unvested CBSS awards
FY2013	R2 347m[1]	

[1] *Based on the 30-day VWAP to 31 December.*

The total amount of reductions during the financial year due to after explicit adjustments (adjustments as a consequence of non-fulfilment of specified performance conditions) is indicated in the following table:

Year	Amount	
FY2014	**R59,1m[1]**	
FY2013	R97,1m[1]	Value of RSP awards lapsed due to non-fulfilment or partial fulfilment of CPT conditions

[1] *Based on the share price at the scheduled vesting date.*

The total amount of clawbacks of reductions during the financial year due to after implicit adjustments (adjustments as a consequence of specific clawback decisions, either based on individual or group considerations) is indicated in the following table:

Year	Amount	
FY2014	**R0m**	No forfeitures or clawbacks were applied in the normal course.
FY2013	R0m	

Remuneration of risk and compliance specialists

Consistent with good corporate governance and the requirements of the various local and international regulations dealing with remuneration in financial services firms, special attention is paid to the process of remunerating risk and compliance specialists within the group. This serves to ensure that individuals in these functions remain sufficiently independent from the functions or businesses they service.

The remuneration of senior risk and compliance specialists is not determined within the relevant business unit alone. Initial proposals are made by the business unit management; however, Group Exco members with overall accountability for the specific control function (the Chief Risk Officer and the Chief Governance and Compliance Officer) have scope to influence the performance and remuneration outcomes for senior employees within the respective control functions. The final outcomes are presented to Group Remco, thereby providing an addition layer of oversight. This ensures appropriate independence in setting remuneration for the applicable senior control function employees.

Other remuneration disclosures

Further disclosures specifically required in terms of regulation 43 of the Banks Act are set out below:

	2014		2013	
Other remuneration disclosures	Rm	N	Rm	N
Number of employees who received variable remuneration during the year		**24 636**		23 706
Total guaranteed bonuses	**–**	**–**		–
Total signon awards	**6,23**	**12**	2,86	10
Total severance awards[1]	**2,12**	**5**	3,73	7

[1] *For the purpose of this disclosure, severance payments mean payments that exceed the bank's contractual redundancy payment.*

Our policy is not to award guaranteed bonuses. Where specific compensation is indicated for new employees for the loss of an accrued benefit, the forfeiture of a performance bonus or in respect of a specific outstanding contractual obligation, a signon or DSTI award may be made. This is subject to time and, in the case of DSTI awards, ongoing individual performance conditions.

NON-EXECUTIVE DIRECTORS

The terms of engagement of the non-executive directors (excluding the Group Chairman) cover a period of three years, as determined by the rotation requirements of our memorandum of incorporation. A non-executive director is required to retire at age 70, unless the board determines otherwise. Any non-executive director serving for a period in excess of nine years is required to retire from the board at the first annual general meeting after the end of this period.

In terms of the memorandum of incorporation the Group Chairman is reelected annually by the board.

Remuneration

The fees of the Group Chairman and the non-executive directors reflect the specific responsibilities relating to their membership of the board and, where applicable, board committees. The Group Chairman receives a single fee for his role. Non-executive directors are paid a fixed fee for board membership and receive additional fees for their participation in board committees. Premiums are paid to the chairmen of all board committees, with the exception of the Group Directors' Affairs Committee, which is currently chaired by the Group Chairman. Neither the Group Chairman nor boardmembers receive any performance-related pay or any benefits.

Non-executive directors' remuneration for the years ended 31 December 2014 and 31 December 2013 was as follows:

NON-EXECUTIVE DIRECTORS' REMUNERATION (AUDITED*)

	Termination date	Note	Board fees	Committee fees	*2014 (R000)	2013 (R000)
David Adomakoh		3, 3a	307	53	**360**	
Tom Boardman		5, 5a, 5b	986	780	**1 766**	933
Thenjiwe Chikane	August 2013	8				617
Brian Dames		6, 6a	191	110	**301**	
Mustaq Enus-Brey			355	555	**910**	820
Ian Gladman		9	355	327	**682**	611
Paul Hanratty		7, 9	152	16	**168**	
Don Hope	June 2013					273
Reuel Khoza			4 350		**4 350**	4 100
Mpho Makwana		1	355	651	**1 006**	661
Mantsika Matooane		4	233	53	**286**	
Nomavuso Mnxasana			355	429	**784**	703
Joel Netshitenzhe		2	355	206	**561**	448
Julian Roberts		9	355	164	**519**	460
Gloria Serobe			355	391	**746**	686
Malcolm Wyman			355	921	**1 276**	1 099
Total			9 059	4 656	**13 715**	11 411

[1] *Mpho Makwana was appointed as a member of the Group Directors' Affairs Committee on 1 January 2014.*
[2] *Joel Netshitenzhe was appointed as a member of the Group IT Committee on 17 January 2014.*
[3] *David Adomakoh was appointed as a director of Nedbank Group Limited and Nedbank Limited on 21 February 2014.*
[3a] *David Adomakoh was appointed as a member of the Group Transformation, Social and Ethics Committee on 13 May 2014.*
[4] *Mantsika Matooane was appointed as a director of Nedbank Limited and Nedbank Group Limited, and a member of the Group IT Committee on 15 May 2014.*
[5] *Tom Boardman was appointed as a member of the Group Audit Committee on 13 May 2014.*
[5a] *Tom Boardman resigned as a member of the Group Transformation, Social and Ethics Committee on 13 May 2014.*
[5b] *Tom Boardman sits on the board of Nedbank Private Wealth (Isle of Man) Ltd. His board fees are therefore inclusive of the Nedbank Private Wealth (Isle of Man) Ltd fees.*
[6] *Brian Dames was appointed as a director of Nedbank Limited and Nedbank Group Limited on 30 June 2014.*
[6a] *Brian Dames was appointed as a member of the Group Credit and Group IT Committees on 30 July 2014.*
[7] *Paul Hanratty was appointed as a director of Nedbank Limited and Nedbank Group Limited on 8 August 2014.*
[8] *Thenjiwe Chikane resigned from the Nedbank Limited and Nedbank Group Limited and board committees on 13 August 2013.*
[9] *Fees for Julian Roberts, Paul Hanratty and Ian Gladman were paid to Old Mutual (SA) Ltd.*

Non-executive directors are accountable for decisions made regardless of attendance at meetings. Non-executive directors are also required, as a matter of course, to represent stakeholders and to make the necessary preparations for meetings and other engagements. Group Remco is satisfied that the fee structure applied in respect of non-executive directors remains appropriate.

Non-executive directors' fees

An independent subcommittee, consisting of Mike Brown and Julian Roberts, evaluated the respective committee fees from a number of perspectives, including peer group comparisons, effective rates per committee and year-on-year increases.

Increases to the Chairman's fee, board fees and several committees have been proposed at between 5,6% and 6,6%. Special increases have been recommended for the Group Audit Committee, GRCMC, Group Credit Committee, the Remuneration Committee and the Directors Affairs Committee. These increases are proposed to ensure that fees for these committees remain appropriately market competitive.

The Lead Independent Director will chair the DAC from 11 May 2015 and therefore a Chairman's fee for this Committee has been proposed at twice the member fee. This role had previously been fulfilled by the Group Chairman with no additional fee being applicable.

The proposed increases to board fees represent a total increase in the cost of operating the board of 7,6%.

The board and committee fees proposed for non-executive directors and for committee membership are as follows:

NON-EXECUTIVE DIRECTORS' REMUNERATION (AUDITED)

	2015 (R) Proposed	2014 (R)	%[2]
Boards			
Chairman of the board[1]	**4 750 000**	4 500 000	5,6
Lead Independent Non-executive Director premium	**40% of board fee**	40% of board fee	
Nedbank Group Ltd	**220 555**	206 900	6,6
Nedbank Ltd	**184 525**	173 100	6,6
Committees			
Group Audit Committee			
Chairman	**562 500**	500 000	12,5
Member	**225 000**	200 000	12,5
Group Finance and Oversight Committee			
Chairman	**55 000**	52 000	5,8
Member	**27 500**	26 000	5,8
Group Remuneration Committee			
Chairman	**312 500**	275 000	13,6
Member	**125 000**	110 000	13,6
Group Risk and Capital Management Committee			
Chairman	**387 500**	350 000	10,7
Member	**155 000**	140 000	10,7
Group Credit Committee			
Chairman	**475 000**	437 500	8,6
Member	**190 000**	175 000	8,6
Group Directors' Affairs Committee			
Chairman	**140 000**[3]	Part of Group Chairman's fees	
Member	**70 000**	61 000	14,8
Group IT Committee			
Chairman	**180 000**	170 000	5,9
Member	**90 000**	85 000	5,9
Group Transformation, Social and Ethics Committee			
Chairman	**180 000**	170 000	5,9
Member	**90 000**	85 000	5,9

[1] *The Group Chairman's fee includes fees for board, subsidiary board and committee memberships.*
[2] *On a like-for-like basis, this represents a year-on-year increase of 7,6%.*
[3] *The Lead Independent Director will chair the Group Directors' Affairs Committee from 11 May 2015.*

The above increases are effective from 1 July 2015, subject to shareholders' approval at the 11 May 2015 annual general meeting.

DIRECTORS' INTERESTS (AUDITED)

At 31 December 2014 the directors' interests in ordinary shares in Nedbank Group Limited and preference shares in Nedbank Limited were as follows:

	Beneficial direct 2014	Beneficial direct 2013	**Beneficial indirect 2014**	Beneficial indirect 2013
Number of shares				
David Adomakoh				
Tom Boardman	**4 012**	4 012	**18 593**	28 593
Tom Boardman (preference shares)			**158 000**	243 000
Mike Brown	**55 049**	55 049	**334 552**	288 108
Brian Dames				
Graham Dempster	**17 822**	17 822	**137 515**	134 273
Mustaq Enus-Brey			**2 113**	2 113
Ian Gladman				
Paul Hanratty				
Reuel Khoza	**7 800**	7 800	**6 974**	6 974
Mpho Makwana				
Mantsika Matooane	**176**			
Nomavuso Mnxasana			**11 620**	11 620
Raisibe Morathi	**20 023**	12 615	**191 314**	160 887
Joel Netshitenzhe				
Julian Roberts				
Gloria Serobe				
Malcolm Wyman				
Total ordinary shares	**104 882**	97 298	**702 681**	632 568
Total preference shares			**158 000**	243 000

SHARE-BASED PAYMENTS TO EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS (AUDITED)

Payments from prior years' deferred bonuses, LTIs and outstanding share plan awards, including participation in the group's empowerment arrangements:

	Opening balance at 1 January 2014				Awards made during 2014			
Executive directors	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
Mike Brown								
Nedbank Restricted Shares								
	23 357	2011/03/07	128,44	2014/03/08				
	23 357[2]	2011/03/08	128,44	2014/03/09				
	32 431	2012/03/07	161,88	2015/03/08				
	32 431[2]	2012/03/08	161,88	2015/03/09				
	28 962	2013/03/07	189,90	2016/03/08				
	28 962[2]	2013/03/08	189,90	2016/03/09				
					62 200	2014/03/06	209,00	2017/03/07
Compulsory Bonus Share Scheme[1]	10 584	2011/03/31	141,72	2014/04/01	10 584	2014/04/01	222,50	2014/04/01
	15 192	2012/03/31	171,79	2015/04/01				
	16 099	2013/03/31	195,66	2016/04/01				
					16 141	2014/03/31	223,03	2017/04/01
Voluntary Bonus Share Scheme[4]	Own Shares	2011/03/31	141,72	2014/04/01	2 116	2014/04/01	222,50	2014/04/01
	Own Shares	2012/03/31	171,79	2015/04/01				
	Own Shares	2013/03/31	195,66	2016/04/01				
					Own Shares	2014/03/31	223,03	2017/04/01
Total value of dividends								
Total								
Graham Dempster								
Nedbank Restricted Shares								
	15 571	2011/03/07	128,44	2014/03/08				
	15 571	2011/03/08[2]	128,44	2014/03/09				
	27 798	2012/03/07	161,88	2015/03/08				
	27 798	2012/03/08[2]	161,88	2015/03/09				
	18 430	2013/03/07	189,90	2016/03/08				
	18 430	2013/03/08[2]	189,90	2016/03/09				
					39 472	2014/03/06	209,00	2017/03/07
Compulsory Bonus Share Scheme[1]	5 292	2011/03/31	141,72	2014/04/01	5 292	2014/04/01	222,50	2014/04/01
	10 477	2012/03/31	171,79	2015/04/01				
	10 426	2013/03/31	195,66	2016/04/01				
					10 626	2014/03/31	223,03	2017/04/01
Voluntary Bonus Share Scheme[4]	Own Shares	2011/03/31	141,72	2014/04/01	2 116	2014/04/01	222,50	2014/04/01
	Own Shares	2012/03/31	171,79	2015/04/01				
	Own Shares	2013/03/31	195,66	2016/04/01				
					Own Shares	2014/04/01	223,03	2017/04/02
Total value of dividends								
Total								

	Awards vesting/lapsing during 2014								Dividends	Closing balance as at 31 December 2014		
	Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Date of issue/ inception	Issue price (R)	Market price at vesting (R)	Vesting/ exercise date	Value gained on vesting	[5]Notional value of loss on lapsing	Total value of dividends paid in respect of all plans[7] R	Number of restricted shares/ options	End of perfor-mance period	Final vesting/ exercise date
	20 071	3 286	2011/03/07	128,44	215,77		4 330 648	(709 091)				
	23 357		2011/03/08	128,44	215,77		5 039 740					
										32 431	2014/12/31	2015/03/08
										32 431	2014/12/31	2015/03/09
										28 962	2015/12/31	2016/03/08
										28 962	2015/12/31	2016/03/09
										62 200	2016/12/31	2017/03/07
	21 168[3]		2011/03/31	141,72	222,50	2014/04/01	4 709 880					
										15 192	2014/12/31	2015/04/01
										16 099	2015/12/31	2016/04/01
										16 141	2016/12/31	2017/04/01
	2 116[3]		2014/04/01	141,72	222,50	2014/04/01	470 810					
									2 515 594			
							14 551 078	(709 091)	2 515 594			
	13 380	2 191	2011/03/07	128,44	215,77		2 887 037	(472 717)				
	15 571		2011/03/08	128,44	215,77		3 359 755					
										27 798	2014/12/31	2015/03/08
										27 798	2014/12/31	2015/03/09
										18 430	2015/12/31	2016/03/08
										18 430	2015/12/31	2016/03/09
										39 472	2016/12/31	2017/03/07
	10 584[3]		2011/03/31	141,72	222,50	2014/04/01	2 354 940					
										10 477	2014/12/31	2015/04/01
										10 426	2015/12/31	2016/04/01
										10 626	2016/12/31	2017/04/01
	2 116[3]		2014/04/01	141,72	222,50	2014/04/01	470 810					
									1 604 085			
							9 072 542	(472 717)	1 604 085			

Executive directors	Opening balance at 1 January 2014				Awards made during 2014			
	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
Raisibe Morathi								
Nedbank Restricted Shares	15 571	2011/03/07	128,44	2014/03/08				
	15 571	2011/03/08[2]	128,44	2014/03/09				
	13 899	2012/03/07	161,88	2015/03/08				
	13 899	2012/03/08[2]	161,88	2015/03/09				
	15 797	2013/03/07	189,90	2016/03/08				
	15 797	2013/03/08[2]	189,90	2016/03/09				
					33 492	2014/03/06	209,00	2017/03/07
Compulsory Bonus Share Scheme[1]	3 175	2011/03/31	141,72	2014/04/01	3 175	2014/04/01	222,50	2014/04/01
	6 636	2012/03/31	171,79	2015/04/01				
	7 666	2013/03/31	195,66	2016/04/01				
					7 936	2014/03/31	223,03	2017/04/01
Voluntary Bonus Share Scheme[4]	Own Shares	2011/03/31	141,72	2014/04/01	2 116	2014/04/01	222,50	2014/04/01
	Own Shares	2012/03/31	171,79	2015/04/01				
	Own Shares	2013/03/31	195,66	2016/04/01				
					Own Shares	2014/04/01	223,03	2017/04/02
Eyethu Restricted Shares	6 600	2010/03/03	121,08	2014/03/04				
	6 600	2010/03/03	121,08	2015/03/04				
	6 800	2010/03/03	121,08	2016/03/04				
Eyethu Restricted Options[6]	19 800	2010/03/03	121,08	2014/03/04				
	19 800	2010/03/03	121,08	2015/03/04				
	20 400	2010/03/03	121,08	2016/03/04				
Total value of dividends								
Total								

Awards vesting/lapsing during 2014								Dividends	Closing balance as at 31 December 2014		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Date of issue/ inception	Issue price (R)	Market price at vesting (R)	Vesting/ exercise date	Value gained on vesting	[5]Notional value of loss on lapsing	Total value of dividends paid in respect of all plans[7] R	Number of restricted shares/ options	End of perfor-mance period	Final vesting/ exercise date
13 380	2 191	2011/03/07	128,44	215,77		2 887 037	(472 717)				
15 571		2011/03/08	128,44	215,77		3 359 755					
									13 899	2014/12/31	2015/03/08
									13 899	2014/12/31	2015/03/09
									15 797	2015/12/31	2016/03/08
									15 797	2015/12/31	2016/03/09
									33 492	2016/12/31	2017/03/07
6 350[3]		2011/03/31	141,72	222,50	2014/04/01	1 412 875					
									6 636	2014/12/31	2015/04/01
									7 666	2015/12/31	2016/04/01
									7 936	2016/12/31	2017/04/01
2 116[3]		2014/04/01	141,72	222,50	2014/04/01	470 810					
6 600		2010/03/03	121,08	214,19	2014/03/04	1 413 654					
									6 600		2015/03/04
									6 800		2016/03/04
19 800		2010/03/03	121,08	207,82	2014/03/27	1 717 452					
									19 800		2015/03/04
									20 400		2016/03/04
								1 343 641			
						11 261 583	(472 717)	1 343 641			

Prescribed officers	Opening balance at 1 January 2014				Awards made during 2014				
	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date	
Ingrid Johnson									
Nedbank Restricted Shares									
	19 464	2011/03/07	128,44	2014/03/08					
	19 464	2011/03/08[2]	128,44	2014/03/09					
	24 709	2012/03/07	161,88	2015/03/08					
	24 709	2012/03/08[2]	161,88	2015/03/09					
	21 063	2013/03/07	189,90	2016/03/08					
	21 063	2013/03/08[2]	189,90	2016/03/09					
					23 923	2014/03/06	209,00	2017/03/07	
					23 923	2014/03/07[2]	209,00	2017/03/08	
Compulsory Bonus Share Scheme[1]									
	5 292	2011/03/31	141,72	2014/04/01	5 292	2014/04/01	222,50	2014/04/01	
	10 477	2012/03/31	171,79	2015/04/01					
	9 966	2013/03/31	195,66	2016/04/01					
					8 743	2014/03/31	223,03	2017/04/01	
Voluntary Bonus Share Scheme[4]	Own Shares	2011/03/31	141,72	2014/04/01	2 116	2014/04/01	222,50	2014/04/01	
	Own Shares	2013/03/31	195,66	2016/04/01					
					Own Shares	2014/04/01	223,03	2017/04/02	
Total value of dividends									
Total									
Brian Kennedy									
Nedbank Restricted Shares									
	15 571	2011/03/07	128,44	2014/03/08					
	15 571	2011/03/08[2]	128,44	2014/03/09					
	18 532	2012/03/07	161,88	2015/03/08					
	18 532	2012/03/08[2]	161,88	2015/03/09					
	15 797	2013/03/07	189,90	2016/03/08					
	15 797	2013/03/08[2]	189,90	2016/03/09					
					16 746	2014/03/06	209,00	2017/03/07	
					16 746	2014/03/07[2]	209,00	2017/03/08	
Compulsory Bonus Share Scheme[1]	4 022	2011/03/31	141,72	2014/04/01	4 022	2014/04/01	222,50	2014/04/01	
	6 548	2012/03/31	171,79	2015/04/01					
	15 026	2013/03/31	195,66	2016/04/01					
					16 141	2014/03/31	223,03	2017/04/01	
Voluntary Bonus Share Scheme[4]	Own Shares	2011/03/31	141,72	2014/04/01	2 116	2014/04/01	222,50	2014/04/01	
	Own Shares	2012/03/31	171,79	2015/04/01					
	Own Shares	2013/03/31	195,66	2016/04/01					
					Own Shares	2014/04/01	223,03	2017/04/02	
Total value of dividends									
Total									

Awards vesting/lapsing during 2014								Dividends	Closing balance as at 31 December 2014		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Date of issue/ inception	Issue price (R)	Market price at vesting (R)	Vesting/ exercise date	Value gained on vesting	[5]Notional value of loss on lapsing	Total value of dividends paid in respect of all plans[7] R	Number of restricted shares/ options	End of perfor-mance period	Final vesting/ exercise date
16 725	2 739	2011/03/07	128,44	215,77		3 608 843	(590 904)				
19 464		2011/03/08	128,44	215,77		4 199 747					
									24 709	2014/12/31	2015/03/08
									24 709	2014/12/31	2015/03/09
									21 063	2015/12/31	2016/03/08
									21 063	2015/12/31	2016/03/09
	23 923			229,17			(5 482 434)			2016/12/31	2017/03/07
	23 923			229,17			(5 482 434)			2016/12/31	2017/03/08
10 584[3]		2011/03/31	141,72	222,50	2014/04/01	2 354 940					
									10 477	2014/12/31	2015/04/01
									9 966	2015/12/31	2016/04/01
									8 743	2016/12/31	2017/04/01
2 116[3]		2014/04/01	141,72	222,50	2014/04/01	470 810					
								1 616 151			
						10 634 340	(11 555 772)	1 616 151			
13 380	2 191	2011/03/07	128,44	215,77		2 887 037	(472 717)				
15 571		2011/03/08	128,44	215,77		3 359 755					
									18 532	2014/12/31	2015/03/08
									18 532	2014/12/31	2015/03/09
									15 797	2015/12/31	2016/03/08
									15 797	2015/12/31	2016/03/09
									16 746	2016/12/31	2017/03/07
									16 746	2016/12/31	2017/03/08
8 044[3]		2011/03/31	141,72	222,50	2014/04/01	1 789 790					
									6 548	2014/12/31	2015/04/01
									15 026	2015/12/31	2016/04/01
									16 141	2016/12/31	2017/04/01
2 116[3]		2014/04/01	141,72	222,50	2014/04/01	470 810					
								1 457 378			
						8 507 392	(472 717)	1 457 378			

Prescribed officers	Opening balance at 1 January 2014 – Number of restricted shares/options	Opening balance at 1 January 2014 – Date of issue/inception	Opening balance at 1 January 2014 – Issue price (R)	Opening balance at 1 January 2014 – Vesting date	Awards made during 2014 – Number of restricted shares/options	Awards made during 2014 – Date of issue/inception	Awards made during 2014 – Issue price (R)	Awards made during 2014 – Final vesting/exercise date
Dave Macready								
Nedbank Restricted Shares								
	15 571	2011/03/07	128,44	2014/03/08				
	15 571	2011/03/08[2]	128,44	2014/03/09				
	15 443	2012/03/07	161,88	2015/03/08				
	15 443	2012/03/08[2]	161,88	2015/03/09				
	15 797	2013/03/07	189,90	2016/03/08				
	15 797	2013/03/08[2]	189,90	2016/03/09				
					16 148	2014/03/06	209,00	2017/03/07
					16 148	2014/03/07[2]	209,00	2017/03/08
Compulsory Bonus Share Scheme[1]								
	3 704	2011/03/31	141,72	2014/04/01	3 704[3]	2014/04/01	222,50	2014/04/01
	6 548	2012/03/31	171,79	2015/04/01				
	6 899	2013/03/31	195,66	2016/04/01				
					8 070	2014/03/31	223,03	2017/04/01
Voluntary Bonus Share Scheme	Own Shares	2013/03/31	195,66	2016/04/01				
					Own Shares	2014/04/01	223,03	2017/04/02
Total value of dividends								
Total								
Mfundo Nkuhlu								
Nedbank Restricted Shares								
	19 464	2011/03/07	128,44	2014/03/08				
	19 464	2011/03/08[2]	128,44	2014/03/09				
	15 443	2012/03/07	161,88	2015/03/08				
	15 443	2012/03/08[2]	161,88	2015/03/09				
	19 747	2013/03/07	189,90	2016/03/08				
	19 747	2013/03/08[2]	189,90	2016/03/09				
					20 335	2014/03/06	209,00	2017/03/07
					20 335	2014/03/07[2]	209,00	2017/03/08
Compulsory Bonus Share Scheme[1]	6 985	2012/03/31	171,79	2015/04/01				
	7 666	2013/03/31	195,66	2016/04/01				
					8 743	2014/03/31	223,03	2017/04/01
Voluntary Bonus Share Scheme	Own Shares	2013/03/31	195,66	2016/04/01				
					Own Shares	2014/04/01	223,03	2017/04/02
Eyethu Restricted Shares	3 960	2009/03/03	75,74	2014/03/04				
	4 080	2009/03/03	75,74	2015/03/04				
Eyethu Restricted Options[6]	11 880	2009/03/03	75,74	2014/03/04				
	12 240	2009/03/03	75,74	2015/03/04				
Total value of dividends								
Total								

[1] *Matching on the Compulsory Bonus Share Scheme occurs only on shares in the scheme as at the vesting date. If corporate performance targets are met, 100% matching occurs, otherwise a 50% matching occurs.*
[2] *Restricted share awards with time-based vesting only.*
[3] *Match occurred at one share for each in the Compulsory Bonus Share Scheme and Voluntary Bonus Share Scheme as at the vesting date.*
[4] *For the Voluntary Bonus Scheme employees invest their own Nedbank Shares into the scheme. After three years, if the corporate targets are met, a 100% matching occurs, otherwise a 50% matching occurs.*
[5] *Value determined based on number of shares lapsing multiplied by the market share price on scheduling vesting date.*
[6] *Eyethu Restricted Options have a lifespan of seven years from the date of issue.*
[7] *Plans excludes Voluntary Bonus Share Scheme which are own shares.*

	Awards vesting/lapsing during 2014								Dividends	Closing balance as at 31 December 2014		
	Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Date of issue/ inception	Issue price (R)	Market price at vesting (R)	Vesting/ exercise date	Value gained on vesting	[5]Notional value of loss on lapsing	Total value of dividends paid in respect of all plans[7] R	Number of restricted shares/ options	End of perfor-mance period	Final vesting/ exercise date
	13 380	2 191	2011/03/07	128,44	215,77		2 887 037	(472 717)				
	15 571		2011/03/08	128,44	215,77		3 359 755					
										15 443	2014/12/31	2015/03/08
										15 443	2014/12/31	2015/03/09
										15 797	2015/12/31	2016/03/08
										15 797	2015/12/31	2016/03/09
										16 148	2016/12/31	2017/03/07
										16 148	2016/12/31	2017/03/08
	7 408		2011/03/31	141,72	222,50	2014/04/01	1 648 280					
										6 548	2014/12/31	2015/04/01
										6 899	2015/12/31	2016/04/01
										8 070	2016/12/31	2017/04/01
									1 140 933			
							7 895 072	(472 717)	1 140 933			
	16 725	2 739	2011/03/07	128,44	215,77		3 608 843	(590 904)				
	19 464		2011/03/08	128,44	215,77		4 199 747					
										15 443	2014/12/31	2015/03/08
										15 443	2014/12/31	2015/03/09
										19 747	2015/12/31	2016/03/08
										19 747	2015/12/31	2016/03/09
										20 335	2016/12/31	2017/03/07
										20 335	2016/12/31	2017/03/08
	2 329		2012/03/31	171,79	226,50	2014/11/04	527 519			4 656	2014/12/30	2015/03/31
	2 555		2013/03/31	195,66	226,50	2014/11/04	578 708			5 111	2015/12/31	2016/04/01
										8 743	2016/12/31	2017/04/01
	3 960		2009/03/03	75,74	215,31	2014/03/04	852 628					
										4 080		2015/03/04
	11 880		2009/03/03	75,74	215,31	2014/03/04	1 658 092					
										12 240		2015/03/04
									1 474 566			
							11 425 535	(590 904)	1 474 566			

WORLD CLASS AT **MANAGING RISK**

STRIVING TO BE WORLDCLASS AT MANAGING RISK ACROSS NEDBANK

The business of banking fundamentally involves the management of risk.

The primary function of a bank in an economy is to transform the maturity of funds. We lend out money, which gives rise to credit risk. We also take in money to fund our lending, and that results in asset and liability mismatches, as well as interest rate risk and liquidity risk. In addition, we trade and invest in financial markets that drive other market risks, and all these business activities are potentially prone to operational risk, reputational risk and other risks. Collectively there are 17 key risks that make up the risk universe in Nedbank's Enterprisewide Risk Management Framework (ERMF).

Accordingly, one of Nedbank's five Deep Green aspirations is to be worldclass at managing risk.

Ultimately, we seek to optimise risk versus return on a sustainable basis, and risk management is therefore approached across three integrated core dimensions:

- Managing risk as a THREAT – to minimise and protect against downside risk, and against material unforeseen losses.
- Managing risk as an UNCERTAINTY – to eliminate excessive earnings volatility and minimise material negative surprises.
- Managing risk as an OPPORTUNITY – to maximise financial performance through the application of superior risk and business intelligence, risk-based performance measurement, managing for value, strategic portfolio management and client value management.

A critical success factor in achieving Nedbank's 2020 vision and related financial aspirations is for Nedbank's risk management, risk culture and risk infrastructure, together, to become a clearly distinctive competitive differentiator.

Adding to the importance of excellence in risk management has been the persistent volatile, uncertain, complex and ambiguous (VUCA) macroeconomic and geopolitical environments, both globally and locally.

Our regulatory landscape has changed significantly, impacted by ongoing Basel III implementation from 2013 to 2019, anti-money-laundering (AML) and combating the financing of terrorism (CFT), Solvency 2/SAM, Twin Peaks (in 2016), the Financial Sector Regulation Bill and market conduct risk and regulation (eg Treating Customers Fairly), amendments to the National Credit Act as well as other consumer protection legislation. This means that it can no longer just be a Deep Green aspiration to be worldclass at managing risk. Rather, it has become an imperative to survive and thrive. Nedbank embraces these significant regulatory changes as they help us enhance our clients' experience and the bank's relationship with and service to them, and also strengthen the safety and soundness of our organisation and country. We approach these regulations as a lever to elevate our risk management further in an integrated manner, through our client-centred, strategic emphasis, the improvement of the onboarding of our clients and the 'know your client' (KYC) initiative.

While regulation has indeed changed banking over the past five years, and continues to do so, technological advancement, together with rapid innovation, is likely to see information technology reshaping banking for the next five to 10 years, leading to heightened key risk focuses, such as cybercrime, but also to strategic opportunities. As in the case of regulatory and conduct risks, we are giving much greater focus to IT risk and strategic risk in our risk plans for 2015 to 2017.

Additionally, with our expansion and strategic intent of building a Pan-African banking network, we are enhancing our risk management focus and capability in the rest of Africa, addressing the related risk appetite holistically.

Of course, our more traditional major risks of credit and liquidity remain, as always, a key focus, and we will leverage the implementation of the International Financial Reporting Standard (IFRS) 9 and Basel III to elevate credit and liquidity risk measurement and management to an even higher level than today.

Nedbank has a sound risk culture that has generally served us well over the past several years. However, with the continuing VUCA, the highly competitive environment, extensive regulation, the zero tolerance of regulators, technological advancement and innovation, and in view of our fundamental business of managing risk, risk management will have to become a competitive differentiator for Nedbank if we want to achieve our 2020 vision on a sustainable basis. We must truly be worldclass at managing risk.

Therefore, the vision for risk at Nedbank is to be admired as Africa's leading bank in risk management by both our internal and external stakeholders, being a core strategic and competitive differentiator that helps make Nedbank's 2020 aspirations happen in a sustainable manner.

A synopsis of the business profiles of the group as well as our strategic focus areas can be found online in the integrate report. These represent the core activities that give rise to Nedbank's risk universe.

Our risk management is underpinned by a comprehensive, best-practice ERMF, which we are constantly evolving and enhancing so it remains relevant and most effective in these VUCA environments and changing times and risks.

The ERMF, fully embedded in business and central functions across Nedbank Group, is supplemented by individual frameworks such as those for credit risk, market risk, liquidity risk, operational risk, capital risk and a comprehensive stress and scenario testing framework. Coupled with these is a complete set of risk policies, practices and procedures that operate within specific limits. These include the role of the board, the setting and monitoring of the group's risk appetite and risk limits, and oversight of the ERMF, duly assisted by its seven board committees. At executive management level the Group Executive Committee (Exco) is assisted with its risk, strategic and operational responsibilities by six main committees.

The ERMF facilitates effective challenge and debate at executive management and board levels, and strong interaction across the group between the clusters and central group services. This requires a continuous process of risk identification, measurement, management, monitoring and formal review and assessment by our external auditors.

Within the ERMF processes and integrated with the group's strategic and business planning, new and/or emerging risks are identified, captured and addressed. A residual-heat map is used to support the iterative reassessment of the 17 key risks. Escalation criteria have been defined and significant risks/issues and limit breaches are raised and recorded in the Key Issues Control Log, which is a fundamental tool of

THE ORIGINS OF RISK WITHIN NEDBANK

Nedbank is made up of four client-facing clusters (five before the merger of Nedbank Capital and Corporate into a single, fully integrated corporate and investment bank business) and our Rest of Africa Division.

NEDBANK BUSINESS BANKING

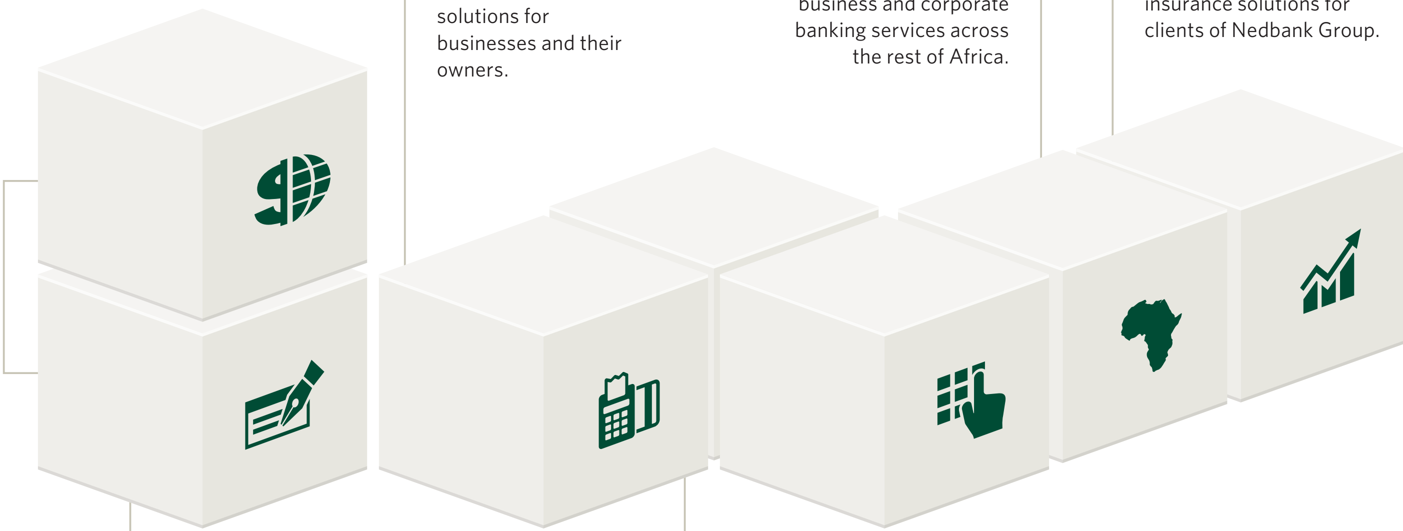
Holistic financial solutions for businesses and their owners.

REST OF AFRICA DIVISION

Offers retail, small and medium enterprise (SME), business and corporate banking services across the rest of Africa.

NEDBANK WEALTH

Wealth management, asset management and insurance solutions for clients of Nedbank Group.



NEDBANK CAPITAL

Investment banking and markets solutions for institutional and corporate clients.

NEDBANK CORPORATE

Lending, deposit-taking, transactional banking and commercial-property finance to large corporates, financial institutions, the public sector and government clients.

NEDBANK RETAIL

Holistic financial solutions for individuals, startups and small businesses, as well as corporate card and merchant solutions.

the ERMF and risk reporting across Nedbank Group, and is reviewed by executive management and the board.

A formal process for purposes of the ERMF is followed in an annual review of risk policies, limits and frameworks.

The ERMF remained resilient in 2014 and will undergo a refresh in 2015, with a focus on:

- Simplifying and revisiting the key risks comprising Nedbank's risk universe.
- Enabling innovation, new-product development and regulatory compliance with a strong focus on 'know your client' client-centredness.
- Ensuring best-practice risk management and leveraging the extensive regulatory developments to make this happen.
- Structural changes following the creation of the integrated corporate and investment business and more integration of the Retail and Business Banking business.

Sustaining a strong risk culture

Nedbank Group has a strong risk culture. This is achieved through following best-practice enterprisewide risk management practices, a strong tone from the top from the Chief Executive, top management and the board, and ongoing risk leadership by the Chief Risk Officer.

Our approach aligns strategy, policies, people, processes, technology and business intelligence to measure, evaluate, manage and optimise the opportunities, threats and uncertainties we face every day as a major financial institution. In this way the group is able to maximise sustainable shareholder value within the group's clearly defined risk appetite.

ERMF

RISK UNIVERSE

Accounting and taxation risks	Operational risk	Insurance and assurance risk*	New business risk	Liquidity risk	Capital risk	Market risk**	Investment risk
Information technology risk	Credit risk	Strategic risk	Compliance risk	Reputational risk	Transformation risk	Social and environmental risk	People risk

** Underwriting insurance risk and corporate insurance ** Trading book and banking book*

FIRST LINE OF DEFENCE

BOARD COMMITTEES – board of directors

Group Finance and Oversight Committee

- Group Audit Committee
- Group Risk and Capital Management Committee
- Group Information Technology Committee
- Group Credit Committee
- Large-exposure Approval Committee
- Directors' Affairs Committee
- Transformation, Social and Ethics Committee
- Group Remuneration Committee

GROUP EXCO COMMITTEES – Group Executive Committee (Group Exco)

- CFO Forum
- Executive Taxation Committee
- Group Operational Risk Committee
- Group ALCO and Executive Risk Management Committee
- Property Strategy Committee
- Group Procurement Committee
- Executive Information Technology Committee
- Divisional Credit Committee
- Business Risk Management Forum
- Brand Risk Management Forum
- Brand and Client Committee
- Nedbank Employee Equity Forum
- Group Transformation Forum
- Transformation and Human Resources Executive Committee

BUSINESS CLUSTERS' RISK GOVERNANCE – Group Operational Committee (Opcom)

For Nedbank Business Banking, Nedbank Corporate, Nedbank Capital, Nedbank Retail and Nedbank Wealth:

- Cluster and business unit excos, divisional credit committees (DCCs), Trading Risk Committee, Investment Committee and enterprise risk committees (ERCOs) and other specialist committees, with representation from the relevant independent group functions.
- Heads of risk and risk functions, independent of business origination, report directly to business cluster heads.

CENTRAL FINANCIAL RISK AND BALANCE SHEET MANAGEMENT – Group Finance

Chief Financial Officer – Raisibe Morathi

Balance Sheet Management

Managing Executive: Balance Sheet Management – Michael Davis

SECOND LINE OF DEFENCE

INDEPENDENT GROUP RISK AND COMPLIANCE CLUSTERS

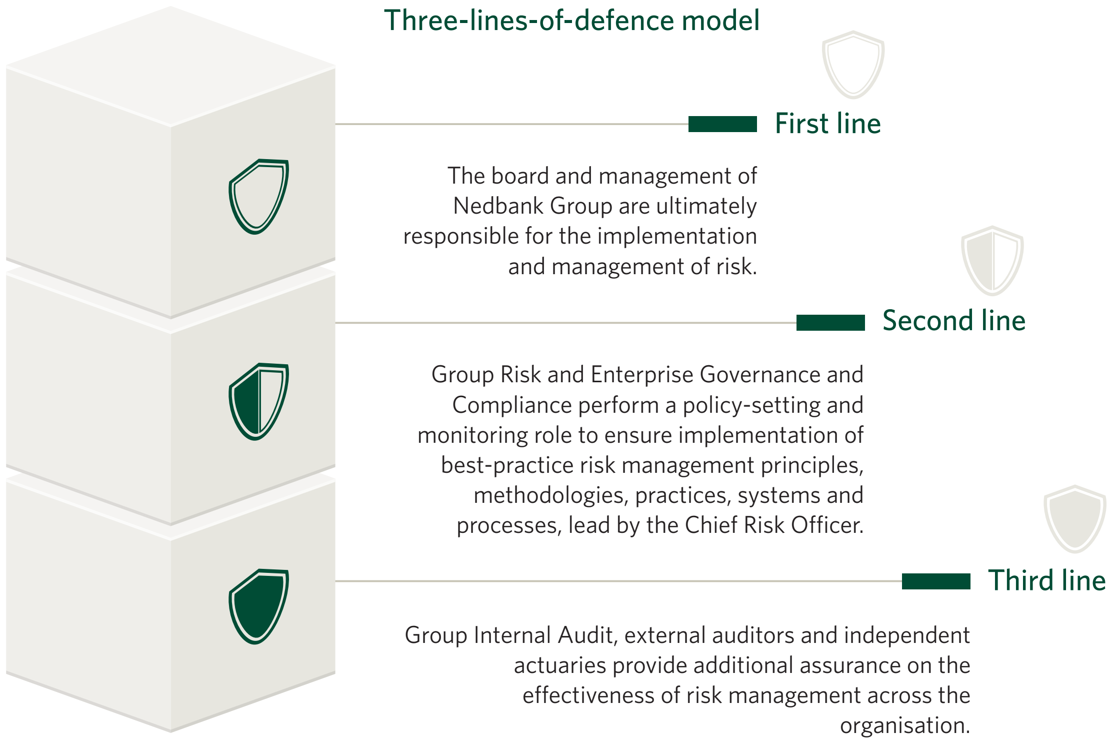
Group Risk	Chief Risk Officer – Trevor Adams
Group Enterprise Governance and Compliance	Chief Governance and Compliance Officer – Thabani Jali

THIRD LINE OF DEFENCE

INDEPENDENT ASSURANCE – Internal Audit and external auditors

- Group Internal Audit
- External auditors
- Independent actuaries

Across the ERMF Nedbank applies the three-lines-of-defence model in its risk governance.



Nedbank embraces risk management as a core competency that allows the business to optimise risktaking and is objective and transparent. This ensures that the business prices for risk appropriately, linking risk to return.

The importance attached to risk management and the attention given to it is deeply rooted in Nedbank's culture. Being worldclass at managing risk is included as one of five Deep Green aspirations in the group's strategic framework and this cascades down across the organisation.

In Nedbank to be worldclass at managing risk means that understanding, measuring and managing risk are central to everything we do, and we have engrained risk management in our business. We understand that banking at Nedbank is about managing risk, not avoiding it. Our risk management methodologies, risk culture and risk management infrastructure are worldclass.

OUR APPROACH TO RISK AND BALANCE SHEET MANAGEMENT

We approach our strategy development, business activities, risk appetite, risk and balance sheet management in a fully integrated manner. At the heart of the group's business and management processes are integrated worldclass risk and balance sheet management frameworks.

Nedbank's Capital Management Framework is designed to meet our key external stakeholders' needs, both those focused more on the adequacy of the group's capital in relation to its risk profile (or risk versus solvency) and those focused more on the return or profitability of the group relative to the risk assumed (or risk versus return). The challenge for management and the board is to achieve an optimal balance between these two important dimensions.

All Nedbank's quantifiable risks across the 17 key risks of the ERMF are also captured in our Economic Capital Framework.

Economic capital entails the sophisticated, consistent comparison of risks across business units and risk types, and the measurement of the risk involved in individual products or transactions. This enables a focus on both downside risk (risk protection) and upside potential (earnings growth). Nedbank assesses the internal requirements for capital using its proprietary economic capital methodology.

All of these quantifiable risks, as measured by economic capital, are then allocated back to the businesses in the form of a capital allocation to where the assets or risk positions reside or originate.

Nedbank's economic capital and Internal Capital Adequacy Assessment Process (ICAAP) methodology is constantly reviewed and updated, taking cognisance of regulatory developments such as Basel III and Solvency 2/SAM.

Economic capital not only facilitates a like-for-like measurement and comparison of risk across businesses, but, by incorporating it into performance measurement, the performance of each business can be measured and compared on an absolute basis by using economic profit (EP) and a relative percentage return basis, namely return on risk-adjusted capital (RORAC) – the same as return on equity (ROE), by comparing these measures against the group's cost of capital.

ICAAP in Nedbank has been embedded across the organisation for several years. It is an integral component of the group's ERMF, Capital Management Framework, strategy and business planning process, balance sheet management, remuneration and reward mechanisms, day-to-day business operations, pricing and lending decisions, and client-value management. Nedbank scores highly on the use test, because the group's culture is one of understanding that the business of banking is fundamentally about managing risk, and risk drives capital and liquidity requirements against which return is measured (ie risk versus return) and rewarded.

In view of the significance of liquidity risk in banking, Nedbank also has an Internal Liquidity Adequacy Assessment Process (ILAAP).

Embedded within Nedbank's Liquidity Risk Management Framework is the group's ILAAP. The ILAAP involves an ongoing and rigorous assessment of Nedbank Group's liquidity self-sufficiency under a continuum of stress liquidity scenarios, taking cognisance of the board-approved risk appetite. The ILAAP also involves an ongoing review and assessment of all components that collectively make up and/or support the Liquidity Risk Management Framework. The objective of this review and assessment process is to ensure that the framework remains sound

At the heart of the group's business and management processes are integrated wordclass risk and balance sheet management frameworks

ERMF

- Subframeworks (examples)
  - Group Credit Risk Management Framework
  - Group Market Risk Management Framework
  - Group Operational Risk Management Framework
  - Group Liquidity Management Framework

Capital Management Framework

- Solvency and Capital Management Policy
- Economic Capital Framework

Stress and scenario-testing framework

Risk Appetite Framework

Risk-adjusted Performance Measurement Framework

- Internal Capital Adequacy Assessment Process (ICAAP)
- Internal Liquidity Adequacy Assessment Process (ILAAP)
- Recovery plan
  - Basel III Compliant
- Group strategy and business plans
  - Risk plan

in terms of measuring, monitoring, managing and mitigating liquidity risk, taking cognisance of best practise and regulatory developments.

Risk-adjusted performance measurement, management and reward

Economic capital, EP and RORAC (or ROE), as well as other important metrics such as return on assets (ROA), credit loss ratio (CLR), the ratio of non-interest revenue (NIR) to expenses and the efficiency ratio, are included in management performance scorecards across the group.

Economic capital and EP are comprehensively in use across the group, embedded within businesses on a day-to-day basis and in performance measurement and reward schemes, as discussed above. This risk-adjusted performance measurement (RAPM) has been applied across the group for many years now and helps ensure that excessive risktaking is mitigated and managed appropriately within the group.

To align the group's current short-term incentive (STI) scheme with the shareholder value drivers the STI scheme has been designed to incentivise a combination of profitable returns, risk and growth appropriately. It is driven from an EP and headline earnings basis, using risk-based economic capital allocation, as discussed above. Risk is therefore an integral component of capital allocation and performance measurement (and reward) in Nedbank.

The global financial crisis also precipitated a number of initiatives aimed at improving the governance and management of remuneration. Although the recommendations, guidance and practice notes are primarily aimed at the remuneration of senior and top management and those whose activities could have a material impact on the risk profile of the organisation, the underlying principles and statements of good practice can be applied to most incentive arrangements for the majority of staffmember. The group's remuneration practices and public disclosures are compliant with the evolving principles, practices and governance codes released for the SA financial services industry. For further detail please refer to the group's Remuneration Report.

Nedbank Group continues to monitor the evolving governance environment to ensure appropriate compliance of the group's risk-adjusted remuneration practices with the relevant regulatory and/or statutory requirements.

Nedbank's recovery plan and stress testing

The global financial crisis highlighted deficiencies in some banks, in regulators' risk management and in supervisory frameworks. After the crisis, regulation – mainly in the form of Basel III and other regulation lead by the international Financial Stability Board at the Bank of International Settlements in Basel Switzerland – is to a large degree about three key themes (capital, liquidity and risk coverage). Resolution and recovery planning (RRP) is a fundamental part of this in:

- reducing the risk of banks failing (recovery plans);
- reducing the impact of failure (resolution plans); and
- ring-fencing the state/taxpayers from any implicit support to the banking sector (resolution, bail-in).

The Nedbank Recovery Plan sets a framework for the bank to act quickly and decisively (eg selling businesses and significant assets) during a severe crisis to ensure that it is able to recover. The plan describes the integration with existing contingency planning and the possible recovery options, including a detailed assessment of their likely effectiveness and the defined points at which they would be invoked. The recovery plan addresses stresses invoked by shortfalls in liquidity and capital, as well as significant operational failures that may jeopardise Nedbank's ability to continue business operations. The recovery plan also covers the various options considered by senior management to mitigate stresses encountered by Nedbank.

The recovery plan fits into Nedbank's ERMF and complements the group's existing capital, liquidity and stress-testing policies and procedures.

Levels of low to severe stress, whereby recovery and resolution levels represent escalating degrees of stress that the group might encounter, are included in the plan.

The ordered levels and early-warning indicators are designed to increase Nedbank's ability to manage any potential crisis situation effectively and prepare itself for recovery. This is consistent with the Nedbank ERMF. These crisis levels allow Nedbank to assess the levels of stress appropriately and implement necessary responses. Nedbank's response to crises will include identifying and executing

Stress- and Scenario-testing Framework

2015–2017 THREE-YEAR BUSINESS PLAN

Group Executive Committee/
Group Asset and Liability Committee
(ALCO)

MACRO-SCENARIOS

In cooperation with Group Economic Unit, Group ALCO and GRCMC

Risk and capital analytics

PDs, LGDs, EADs, impairments, loss rates, regulatory capital, economic capital, etc.

Regression models

Regression parameters

Interest rate risk in the banking book

Modelled by BSM

Liquidity risk

Modelled by BSM, including Basel III LCR

Nedbank's empirically derived macro-economic factors

INTEGRATED STRESS/ SCENARIO/ CAPITAL MODELS

Macro-economic Factor Model (MEFM)

Capital Adequacy Projection Model (CAPM)

(economic and regulatory capital)

Qualitative overlay of management experience, judgement, challenge and debate

SOPHISTICATED MACROECONOMIC FACTOR MODEL

- Multifactor, fully integrated
- Incorporates current macroeconomic state as the starting point
- Forecasts year by year over three-year business plan
- Full, integrate d with the group's finance and risk systems

BUSINESS INPUT

Pillar 1 stress tests

Projected risk characteristics of credit portfolios (eg PD and LGD profiles)

OUTPUT

Three-year forecasts and stress/scenario analysis of:

- Income statement
- Balance sheet
- Capital adequacy
- Liquidity
- Key financial ratios

Varied by:

- Three-year business plan base case
- Management and board chosen macro scenarios and stress tests

Also used in setting risk appetite, business strategy and capital buffers for:

- Economic capital
- Regulatory capital
- Risk appetite

GRCMC – Group Risk and Capital Management Committee
PD – probability at default
LGD – loss given default
EAD – exposure at default
BSM – balance sheet management
LCR – liquidity coverage ratio

The stress test process

STRESS TEST PHASE	STRESS TEST PROCESS	GOVERNANCE
Choice of scenarios	**Choice of scenarios,** for example severe recession. The six scenarios of mild, high and severe inflation, severe deflation stress conditions low rate and positive scenario conditions are determined by the Group Economic Unit and endorsed by the Group ALCO and the board. Additional specific-event scenarios are added. The scenarios are updated regularly. Each scenario covers a three-year forward-looking period to capture a negative (or positive) phase of a business cycle.	Group ALCO GRCMC GCC DCCs
Translation of scenarios	**Macroeconomic forecasting** Forecast macroeconomic variables (eg real gross domestic product (GDP) growth, household debt-to-income ratio, etc) for each scenario (mild, severe, etc). **Impact on key risk drivers** Holistic Macroeconomic Factor Model calculates the impact on the key risk drivers (PD, LGD, decline in income growth, etc) for each scenario.	Group Economic Unit Balance Sheet Management Group Risk
Stress test calculations On the basis of the current portfolio and the three-year business plan, the stress tests calculate the consequences of the individual scenarios for net profit, risk-weighted assets and so regulatory capital, economic capital, impairments charges and available capital resources. Risk types, for example credit risk, business risk and investment risk, are stressed within each scenario and consolidated.	**Risk types** Credit risk, business risk, operational risk, etc, calculation of risk-weighted assets (RWA), economic capital and expected losses. **Earnings** Effect on earnings change in activity level, interest rate margins, credit impairments, etc. **Capital requirements** For each stress scenario based on the Macroeconomic Fact or Model. **Impact on available capital resources** For each stress scenario based on the macroeconomic factor model.	
Overall results of stress test	**Decision on required capital buffers** Decision on capital levels and buffers is based on an overall assessment , including several factors such as probability of the scenario and strategic measures.	Group ALCO and GRCMC

GCC – Group credit committee
DCC's – Divisional credit committees

appropriate recovery options, proper escalation and communication within the organisation, and appropriate communication to external stakeholders (eg regulators, investors, rating agencies and the media).

We conduct regular stress testing. The following are the framework and process that underpins this:

Our risk appetite

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk Nedbank Group is willing to accept in pursuit of its strategy, duly set and monitored by Group Exco and ultimately the board, and integrated into our strategy, business, risk and capital plans.

Nedbank Group measures and expresses risk appetite qualitatively and in terms of quantitative risk metrics.

Nedbank Group's risk appetite is defined across five broad categories as set out in the board-approved Risk Appetite Framework, namely:

1 Core risk appetite metrics

Group metrics	Definition
Earnings at risk (EaR)	Percentage pretax earnings potentially lost over a one-year period.
Chance of experiencing a loss	Event in which Nedbank Group experiences an annual loss.
Chance of regulatory insolvency	Event in which losses would result in Nedbank Group being undercapitalised relative to the minimum total regulatory capital ratio.
Economic capital adequacy	Nedbank Group adequately capitalised on an economic basis to its current international foreign currency target debt rating.
Total RWA to total assets	The average risk profile (risk weight) of Nedbank Group's assets.
Leverage ratio	The extent to which Nedbank Group is leveraged in terms of assets, including off-balace-sheet assets, per unit of qualifying tier 1 regulatory capital.

2 Specific risk-type limit setting [which clarify across the group's businesses the mandate levels that are of an appropriate scale relative to the risk and reward of the underlying activities so as to minimise concentrations and other risks that could lead to unexpected losses (ULs) of a disproportionate scale].

3 Stakeholder targets (such as performance targets, regulatory capital targets and target debt rating for economic capital adequacy, economic capital allocations to business clusters, dividend policy, target credit impairment ratios and derisking the balance sheet of non-core assets).

4 Policies, procedures and controls.

5 Zero-tolerance statements.

Concentration risk appetite targets also exist in areas where Nedbank Group is materially exposed to concentration risk. The targets are revised and approved by senior management and the board annually as part of the three-year strategic business planning process, in line with the Basel III regulations and the board's responsibilities.

Qualitatively, the group also expresses risk appetite in terms of policies, processes, procedures, statements and controls meant to limit risks that may or may not be quantifiable. Policies, processes and procedures relating to governance, effective risk management, adequate capital and internal control have board and senior management oversight and are governed by the three lines of defence. A key component of the ERMF is a comprehensive set of board-approved risk policies and procedures, which are updated annually.

Nedbank Group has a cascading system of risk limits at all levels of the group and for all financial risks, which is a core component of the implementation of the Risk Appetite Framework. The size of the various limits is a direct reflection of the board's risk appetite, given the business cycle, market environment, business plans, strategy and capital planning.

Nedbank Group has cultivated and embedded a prudent and conservative risk appetite, focused on the basics and core activities of banking.

CURRENT KEY RISK AND BALANCE SHEET MANAGEMENT POSITIONS AT YEAR-END 2014

Nedbank's favourable financial results for the year ended 31 December 2014 are underpinned by a strong balance sheet across all the core dimensions of capital adequacy, liquidity and funding, credit asset quality aided by the strategic portfolio tilt strategy and appropriately conservative provisioning, excellence in risk and balance sheet management, an enabling but prudent risk appetite framework, and a seamless implementation of Basel III.

Credit risk

The operating environment in 2014 remained challenging for consumers, with global markets reflecting a mixed performance, and the local economy remained under pressure from strike action and electricity supply constraints. SA's GDP is forecast to have grown at 1,4% for 2014. According to the South African Reserve Bank (SARB) economic growth could have been 1% higher in the absence of strike action. Overall, the credit environment remained muted, with wholesale credit demand continuing to outpace retail demand as poor employment prospects, high levels of indebtedness, increased interest rates and weak confidence levels weighed against consumers. Wholesale credit demand was supported by renewable-energy projects, corporate action and increased dealflow from the rest of Africa. This is expected to moderate as corporates remain hesitant to make long-term investments and add on production capacity given the weak economic outlook.

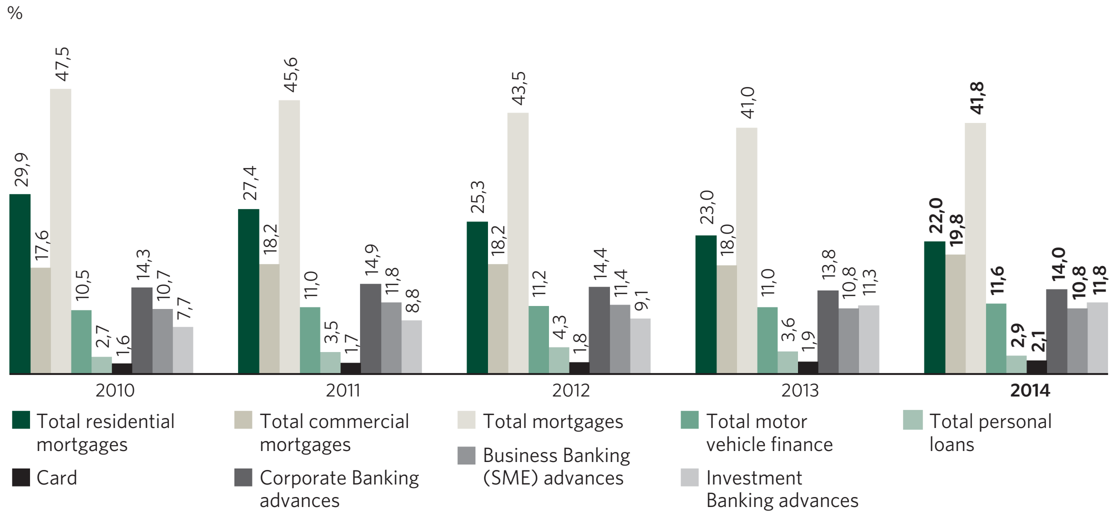
The implementation of the strategic portfolio tilt strategy over the past four years has enabled Nedbank to maintain a sound balance sheet and good credit asset quality and reduce impairments, while strengthening balance sheet coverage ratios. The benefits from the early action taken in reducing our Home Loans and Personal Loans portfolios are evident in our 2014 results.

Nedbank has adopted a selective origination, client-centred growth emphasis as a core part of its strategic portfolio tilt strategy, as is evident in its higher-targeted-growth portfolio tilt areas such as commercial mortgages, Motor Finance Corporation (MFC), Card and Investment Banking, and the low or negative targeted growth areas of residential mortgages and personal loans.

In managing its mortgages (or property portfolio) Nedbank takes a holistic approach across both residential and commercial mortgages, preferring a dominant market share in commercial mortgages, given the significantly better risk-based economics and returns.

- Over 2014 commercial-mortgage lending increased to 19,8% of gross loans and advances, and Nedbank Group has consequently grown its dominant local market share position to just above 40%.

% of total gross loans and advances by major credit portfolio



This potentially high concentration is mitigated by good-quality assets, high levels of collateral, a low average loans-to-value ratio (approximately 50%), the underpinning of corporate leases and a highly experienced management team that is considered to be the leader in property finance in SA.

- While Nedbank has the smallest residential- mortgage portfolio among the local peer group at approximately 15%, the contribution of these advances as a percentage of total gross loans and advances is still substantial at 22% in 2014 (2010: 30%).
- Since 2010 the focus in Home Loans has been on lending through our own channels and much less, compared with the industry, through mortgage originators. This enables a better-quality risk profile, more appropriate risk-based pricing, and therefore more appropriate returns, with a client-centred approach.
- When combining commercial and residential mortgages, Nedbank's total mortgage market share is in line with that of its peers at approximately 21%.

Total retail motor vehicle finance exposure within Nedbank Group has increased from 10,5% in 2010 to 11,6% in 2014 of gross loans and advances, while current market share is approximately 29,5%. Sound risk management principles are consistently applied by an experienced management team.

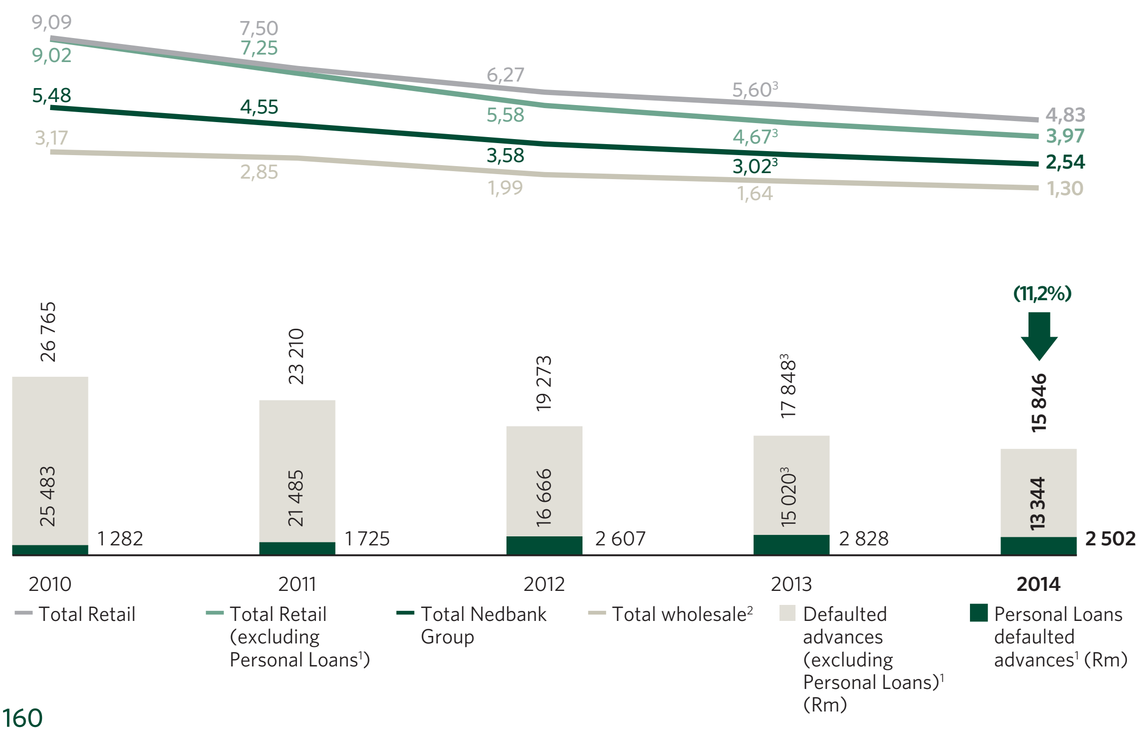
Given the current state of the market and the concerning health of the consumer, coupled with macroeconomic expectations, Nedbank's Personal Loans portfolio is expected to remain relatively flat over the medium term, and hence decrease further in terms of mix. Personal loans as a percentage of total gross loans and advances have decreased to 2,9% over the last year (2013: 3,6%).

As a percentage of total gross loans and advances:

- Corporate Banking and Business Banking have not changed substantially since 2010;
- Card advances have increased from 1,6% in 2010 to 2,2% in 2014; and
- Investment Banking advances have increased from 7,7% in 2010 to 11,8% in 2014, underpinned by particularly successful growth in renewable energy.

The defaulted advances continued the downward trend observed since 2010, decreasing by 11,2% in 2014 to R15 846m (2013: R17 848m), which was mainly driven by ongoing improvements in Nedbank Retail as well as Nedbank Capital.

Consistently declining default advances as a percentage of gross loans and advances



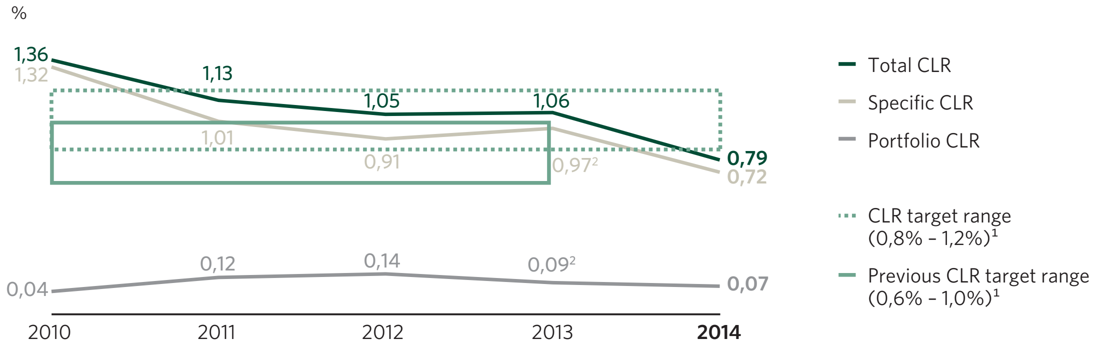
The Group CLR decreased to 0,79% (2013: 1,06%) as a result of ongoing improvement in asset quality, prudent credit-granting and collections practices together with benefits from strategic portfolio tilt and therefore the change in advances mix. The Group CLR is below the lower end of the through-the-cycle (TTC) target range of 0,80% to 1,20%.

- The CLRs across all the business clusters were either at the lower end of, or better than, their respective TTC target ranges. A strong risk management and collections focus resulted in improved impairments charges across the group to support the reduction in CLRs.
- The R200m central portfolio impairment held in the Centre was increased to R350m in line with the group's view of a further deteriorated macroeconomic environment as a result of the country's power crisis and other factors.
- Nedbank Retail contributes 77,7% to the group's total impairments charge of R4 506m (2013: R5 565m), with the majority coming from Personal Loans (41,7% of the group's impairments charge). The reduction in the Personal Loans impairments was the main contributor to the reduction in the impairments charge over the period and benefits were realised based on the early action taken in 2012.

The total balance sheet impairment decreased to R11 095m (2013: R11 456m) and higher levels of postwriteoff recoveries were recorded at R941m (2013: R888m), while writeoffs and other transfers decreased to R5 809m (2013: R5 867m).

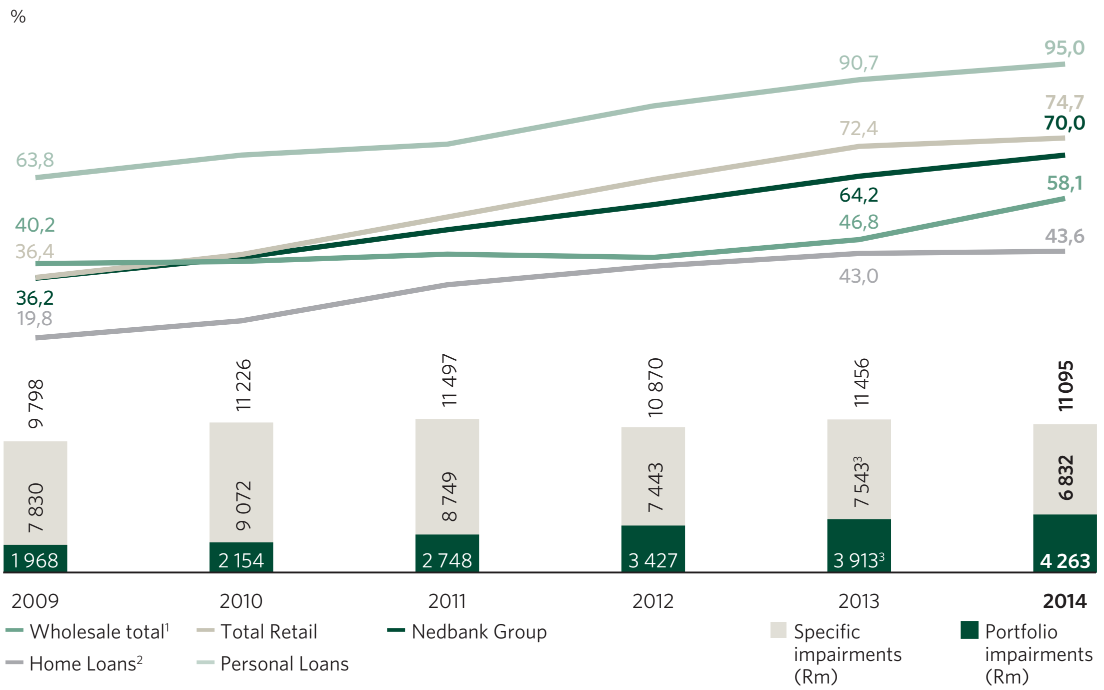
The group total-coverage ratio strengthened to 70,0% (2013: 64,2%), with the specific-coverage ratio improving to 43,1% (2013: 42,3%) and the portfolio coverage on the performing portfolio increasing slightly to 0,70% (2013: 0,68%).

Consistently improving Nedbank Group credit loss ratio



[1] The Nedbank Group target range was revised from between 0,60% and 1,00% to between 0,80% and 1,20% in 2014.
[2] Restated due to the reclassification of restructures in MFC as defaulted advances.

Strengthening coverage ratios



[1] Wholesale includes Nedbank Capital, Nedbank Corporate and Nedbank Business Banking.
[2] Home Loans represents a specific business unit within Nedbank Retail. This excludes home loans in the Nedbank Retail Relationship Banking business unit.
[3] Restated due to the reclassification of restructures in MFC as defaulted advances.

Market risk

Trading market risk arises through Nedbank Capital's market-making activities and the facilitation of client business in the foreign exchange, interest rate, equity, credit and commodity markets. Nedbank has kept proprietary trading low and the focus remains mainly on flow trading in these markets, with only 1,2% of the total economic capital of the group consumed. Current risk levels are within the board-approved limits and risk appetite. The main development in 2014 was the major regulatory proposals, including the Fundamental Review of the Trading Book, as well as other derivative market reforms. The market risk associated with the group's high-quality liquid-asset portfolio is well managed to minimise the effect of market volatility.

Investment risk (also referred to as equity risk in the banking book), which is held at fair value, is relatively low at R4 761m, within the risk appetite and limits approved by the board. This risk primarily arises through the investment banking and private-equity activities of Nedbank Capital, as well as property finance activities of Nedbank Corporate. A total of R2 862m is held for capital gain within these portfolios, while the remaining R1 899m is held for operational requirements. The strategic acquisition of 36,6% in Banco Único held at R286m and the appropriate 20% stake in Ecobank Transnational Incorporated (ETI) held at R6 223m were major investments in 2014. These are accounted for under the equity method of accounting, totalling R6 509m.

Interest rate risk in the banking book (IRRBB) is significant and arises from the group's lending and funding activities, with assets and liabilities maturing or repricing at different times, or against different base rates. Nedbank's IRRBB is largely in the short-end of the interest rate curve and results from assets predominantly pricing to the prime rate, whereas term deposits and fixed-rate advances are linked to the Johannesburg Interbank Agreed Rate (JIBAR) or hedged using JIBAR-linked swaps. Current exposures are within the board-approved limits and risk appetite. The net interest income sensitivity to a 1% change in interest rates is R1 019m (2013: R936m) over one year or 1,52% (2013: 1,54%) of capital. The current interest rate cycle in SA is at a historically low point and the group is well positioned for any upswings in interest rates.

Foreign currency translation risk (FCTR) arises from changes in value of the group's holdings of foreign capital due to shifts in exchange rates. Although the acquisitions in ETI and Banco Único in 2014 caused an increase in FCTR exposure, it is still in line with the group's appropriate offshore capital structure and risk appetite. A 10% change in the value of the rand will have a 0,2% (2013: 0,1%) impact on the group's total regulatory capital adequacy ratio (CAR).

Operational risk

During 2014 we focused our strategy on capitalising on our strengths in managing operational risk, concentrating on risk and internal control systems in all our businesses, while prioritising operational risk areas that offer opportunities to ensure that our businesses create and deliver value to our stakeholders.

Despite the external headwinds and difficult macroeconomic and geopolitical environments, Nedbank achieved a stable operational risk environment. The group operated within board-approved operational risk appetite limits.

Notwithstanding the above, the potential impact of operational risk within the group remains high. We are cognisant of the fact that, as the business evolves, the associated growth and level of operational complexity expose the group to additional operational risks. In response, we continued to focus on the improvement of the internal control environment to minimise potential for losses, and with an emphasis on making it easy to do business with Nedbank.

In 2014 the group remained focused on initiatives to enhance process management governance aimed at optimising the risk and control identification and assessment process.

Regulatory non-compliance relating to AML continues to receive focus with a view to addressing the weaknesses identified. The fine of R25m that Nedbank received in 2014 (as did the rest of the big four South African banks) was publicly disclosed as a significant regulatory operational risk event during the year. Steps have been taken to enhance the group's AML/CFT programme and the approach is now more strategic.

The focus remains on enhancing Nedbank's scenario analysis and governance process to ensure that the group continues to scan the operating environment and, where necessary, update scenario inputs to ensure the group remains adequately capitalised. New scenarios were identified or existing scenarios were updated to reflect changes in the operating environment. Identified control gaps were enhanced as part of the risk management process.

In recognition of the increasing growth, diversity of activities and dynamism of the environment in which our businesses operate, the group continued to refine the Operational Risk Management Framework (ORMF) to ensure that it is adaptive to the environment, is responsive to regulatory requirements, is in line with emerging leading practices and supports forward-looking and proactive risk identification and agility in response.

The organisational transformation/restructure in the Corporate and Investment Banking (CIB) Cluster and the Retail and Business Banking Cluster may result in uncertainty and elevated people risk. This requires close change management to provide stability while addressing specific business requirements and ensuring that we deliver value to our clients and other stakeholders.

No material spike in operational risk net losses (2014 versus 2013) was observed on the backdrop of global operational risk losses, which are still volatile, with strong and hostile regulatory actions being implemented.

The independent testing of our systems of internal control (and use testing of frameworks) is a major focus requiring the combined efforts of our stakeholders in the three lines of defence. We continuously review our associated control frameworks and operating models to make enhancements where necessary.

Capital adequacy

Nedbank Group's capital ratios are strong across all classes, above the mid-point of internal target ranges and above regulatory minimum requirements. Similarly, Nedbank Group economic capital adequacy is strong and ICAAP has been maintained.

Nedbank's ICAAP confirms that we are well capitalised above the current A or 99,93% target debt rating (solvency standard) in terms of the group's proprietary economic capital methodology.

Nedbank Group remains well capitalised, with a strong capital adequacy position at December 2014. This is supported by:

- a strong capital structure, with 80% of the group's capital comprising fully loss-absorbent common-equity tier 1 (CET1) capital;
- additional tier 1 and tier 2 capital, in line with regulatory requirements, including the R5,5bn issued since the implementation of Basel III;
- a conservative RWA density of 54% (RWA: total assets ratio), which compares favourably with that of local and international peers; and
- significant capital buffers above regulatory requirements.

Capital adequacy is strong relative to Nedbank's business activities, strategy and risk profile, and the external environment in which it operates.

Pro forma – with and without Africa expansion (ie ETI 20% transaction and Banco Único)

		Target ranges	Dec 2014	Dec 2014 without Africa expansion	Dec 2013
Regulatory capital					
Common-equity tier 1 (CET1) capital ratio	%	10,5 – 12,5	**11,6**	**12,5**	12,5
Total capital ratio	%	14,0 – 15,0	**14,6**	**15,5**	15,7
Dividend cover	(times)	1,75 – 2,25	**2,07**		2,11
Economic capital			**41 448**		35 939
Available financial resources (AFR): Economic capital	(%)		**140**		151
Cost of equity (COE)	%		**13,5**		13,0

The acquisitions of approximately 20% of Ecobank Transnational Incorporated (ETI) and 36,6% of Banco Único in 2014 have resulted in a 90 basis points reduction in the Nedbank Group Limited CET1 ratio. Furthermore, these acquisitions have resulted in an increase of the group's exposure to rest of Africa to approximately 10,5% of ordinary shareholders' equity (OSE). This is in line with the group's strategy for the rest of Africa.

Leverage

- The leverage ratio is intended by the Basel Committee on Banking Supervision (Basel Committee) to serve as a simple, transparent, non-risk-based leverage ratio to supplement the Basel III risk-based capital requirements in order to help avoid the buildup of excessive leverage and to capture both on- and off-balance-sheet exposure.
- SA banks, including Nedbank, compare favourably with most international banks on leverage.
- Nedbank Group's gearing under Basel III, which includes off-balance-sheet exposure and is based on the latest regulations, is 17,2 times (or 5,8%) at 2014 (2013: 16,8 times or 6,0%) against an internal risk appetite target of less than 20 times (or >5%), and well below the Basel III limit in accordance with the revised SA regulations of 25 times (or >4%), which is more prudent than Basel III at 33,3 times (or > 3%). The slight decline in the leverage position is largely as a result of the acquisition of the ETI stake and its associated capital and impairment.

Liquidity risk

Nedbank Group remains well funded with a strong liquidity position, underpinned by a significant quantum of long-term funding, an appropriately sized surplus liquid-asset buffer above the minimum Basel III liquidity coverage ratio (LCR) regulatory requirement, a strong loan-to-deposit ratio consistently below 100% and a low reliance on interbank and foreign-currency funding.

The Basel Committee published a finalised net stable funding ratio (NSFR) standard in October 2014. While the gap to full compliance with the NSFR has substantially decreased, full SA banking industry compliance remains challenging, given the small retail deposit base.

Consequently, Nedbank will continue to work closely with SARB, its peer group and the National Treasury in addressing the structural challenge ahead of the NSFR compliance date.

Nedbank's strong funding and liquidity position is illustrated by the following:

- Nedbank has maintained significant sources of quick liquidity amounting to R121,1bn, which represents 15,0% of total assets.
- Deposits grew 8,4% to R653,5bn from R603,0bn in 2013 as Nedbank continued to provide competitive and innovative transactional and investment products, with ongoing emphasis on meeting client needs.
- In 2014 Nedbank successfully tilted its funding mix away from wholesale funding through proportionally higher growth in retail deposits, capital market issuance and foreign funding.

Summary of Nedbank Group liquidity risk and funding profile		2014	2013
Total sources of quick liquidity	(Rm)	**121 074**	107 252
Surplus statutory liquid assets	(Rm)	**36 990**	27 965
Statutory liquid assets and cash reserves (ie SARB prudential minimum)	(Rm)	**45 637**	41 734
Other sources of quick liquidity[1]	(Rm)	**38 447**	37 553
Total sources of quick liquidity as a % of total assets	(%)	**15,0**	14,3
Long-term funding ratio (three-month average)	(%)	**25,4**	26,2
Retail Savings Bond[2]	(Rm)	**11 850**	9 638
Senior unsecured debt	(Rm)	**22 478**	20 850
Total capital market issuance	(Rm)	**35 638**	33 268
Reliance on negotiable certificates of deposit[3]	(%)	**10,8**	14,5
Reliance on foreign funding[3]	(%)	**4,6**	2,3
Loan-to-deposit ratio	(%)	**93,8**	96,1
Basel III pro forma liquidity ratios			
Liquidity coverage ratio (effective date – 2015 to 2019)[4] including targeted access to the committed liquidity facility (CLF)	(%)	**>60**	>60
Net stable funding ratio (effective date – 2018)[5]	(%)	**WIP[6]**	WIP[6]

[1] *This includes corporate bonds, listed equities and other marketable securities.*
[2] *Nedbank has both Retail Savings Bonds and Green Retail Savings Bonds with tenures of two, three and five years. The proceeds of the Green Retail Savings Bonds are earmarked for renewable-energy projects, while the proceeds of ordinary Retail Savings Bonds are applied to the general funding pool.*
[3] *As a % of total deposits.*
[4] *A 60% minimum LCR is required from 2015, increasing 10% per annum to 100% by 2019.*
[5] *The Basel Committee released its final version of the NSFR in October 2014.*
[6] *WIP – work in progress. The SA banks are working with National Treasury and SARB to address the structural challenges of complying with the NSFR before the effective date of 1 January 2018.*

NEDBANK'S EMERGING RISK THEMES AND RISK STRATEGY

The top 10 key risks flowing from Nedbank's three-year business plans, activities and risk strategy focus are set out below.

1 Heightened macroeconomic and geopolitical risk

The continuation of the difficult macroeconomic environment, compounded by the prospect of an ongoing power crisis, labour unrest and slow gross domestic product (GDP) growth, will result in a more challenging and risky operating environment.

For Nedbank to become a clearly distinctive competitive differentiator in this VUCA environment, we will continue to strive to achieve risk management of worldclass status.

To survive in the current economic environment of potential low revenue growth, we need to manage expenses growth effectively by optimising efficiencies, as highlighted in Nedbank's key strategic focus of strategic portfolio tilt, by continuing with the strategy of selective origination, by conducting ongoing close monitoring, deep dives and reviews in respect of the quality of our credit portfolios, and by ensuring adequate levels of credit impairments are maintained.

Constraints on the electricity supply and prolonged blackouts have implications on business continuity planning for banks. Business continuity management capabilities are focusing on preparedness for an extended regional blackout and increased generator capacity.

Further sovereign downgrades of SA's credit rating will impact our pricing and our ability to issue new forms of funding and capital, particularly outside SA, impacting our margins and growth. Because we are capped at the sovereign ceiling, all SA banks will be downgraded in such an event.

Nedbank's comprehensive stress testing enables us to be proactive in managing extreme events and difficult environments, and provides important input into a three-year plan and risk strategy.

2 Credit risk (given above VUCA macroeconomic environment)

Nedbank's robust credit risk management continues to be essential in the current economic environment, especially with interest rates remaining flatter for longer, currency moves, job losses, increasing prices, a power crisis, etc.

Traditional major risks of credit and liquidity are, as always, a key focus. With interest rates expected to remain unchanged at current levels until late in the year, the softer interest rate outlook and lower borrowing costs should support consumer credit demand and limit credit defaults in 2015, notwithstanding the weak job market and still high consumer debt levels.

Retail banking conditions are therefore likely to improve modestly, but growth in wholesale banking may moderate from current levels as fixed-investment plans and credit demand may be limited by the severity and extent of infrastructure constraints, rising production costs, soft global demand and low international commodity prices.

However, there is a downside risk to CLRs currently being below the TTC target range, with limited growth in the economy and in the VUCA macroeconomic environment.

As part of our ongoing strategic portfolio tilt strategy, Nedbank will continue to focus on selective credit origination and client-centred growth, with strong focus on proactive credit risk management and collections across our businesses. It remains prudent to maintain close scrutiny of the VUCA macroeconomic environment and current consumer indebtedness, and to ensure that our risk appetite remains appropriate.

We will leverage the IFRS 9 (credit) and Basel III implementations to elevate that risk measurement and management to an even higher level than today, and remain focused on changes to the National Credit Act and any strategic implications.

3 Regulatory risk

Since the global financial crisis regulation has been fundamentally changing the shape of banking and financial services, these changes will continue unabated over the next three to five years to 2020.

A highly efficient, effective, integrated and strategic-based regulatory change programme is a primary focus of Nedbank.

We will use the extensive regulatory change requirements to leverage our risk management, balance sheet management and business practices to heightened levels, and we remain cognisant of the rationale underlying regulation, which is:

- Client-centredness ('know your client') and Treating Customers Fairly, ensuring that clients are satisfied with the sound manner in which Nedbank conducts itself, and consistently following responsible business practices.
- Enhancing safety and soundness of the banking system, and balancing risk versus return.
- Increasing the financial stability of the country, striving to minimise activities such as money laundering and combatting the financing of terrorism.

SA's financial services will experience major changes during the 2015–2016 period that will be different to what had to be dealt with in the past.

The Financial Sector Regulatory Bill (FSRB) will result in extensive changes (expected in 2016) to the current regulatory system and the manner in which the regulations are applied. It fundamentally changes the legal framework in which the financial services industry has operated until now. The main change brought about by the FSRB will be to create two distinct regulators:

- a prudential regulator [Prudential Authority (PA)]; and
- a market conduct regulator [Financial Market Conduct Authority (FMCA)].

This system of dual regulation is known as the Twin Peaks model. Twin Peaks will be implemented in two phases. Phase one will address 'Who regulates?' The PA will regulate (oversee) the safety and soundness of financial institutions that provide financial products. On the other hand, the FMCA will supervise the conduct of business of all financial institutions and the integrity of the financial markets.

Phase two will address the 'How and what do they regulate?' This phase will deal with:

- the implementation process focused on creating new laws to underpin Twin Peaks; and
- the repeal of current laws and introduction of new all-encompassing financial sector legislation – the Conduct of Financial Institutions Act (COFI).

At the same time a market conduct framework will be introduced with the objective being, among others, the fair treatment of clients, designing products to meet clients' needs and ensuring that clients are better informed about the products they purchase.

Nedbank is launching a full Market Conduct Risk project early in 2015 as part of Nedbank's new Regulatory Change Programme, which will have as its aim the full understanding and implementation of the market conduct framework released by the National Treasury.

Another change brought about by the bill provides for a framework for the supervision of financial conglomerates. To the extent that companies in the Old Mutual Group and the Nedbank Group constitute a financial conglomerate, and in addition a systemically important financial institution (SIFI), we are at this stage unsure what will be required by the PA. Nedbank is providing its comments on the bill through the necessary industry bodies.

4 Rest of Africa strategy

With the expansion and strategic intent of building a Pan-African banking network, our risk management focus will be further enhanced in our investments and operations in the rest of Africa to address the related risk appetite more holistically and to help elevate risk management infrastructures in these environments.

The group's risk plan contains extensive initiatives to support Nedbank's Pan-African strategy and the recent investments in Ecobank and Banco Único to assist in enhancing their risk governance.

5 IT risk including cybercrime and information security

Clients naturally expect banks to prevent, quickly detect, isolate and contain security threats to their personal information, assets and other items of value in the care of the bank. Given the growing pervasiveness of the digital era, the growth in data drives higher potential vulnerability, which requires active monitoring. This presents a need for higher maturity in managing technology-related business risks against the background of increasing sophistication and prevalence of cybercrime.

To ensure a safer banking environment, not only for our own clients but also for the SA banking sector as a whole, Nedbank is a participating member of the Cyber Security Incident Response Team (CSIRT) at the South African Banking Risk Information Centre (SABRIC), with a view to assisting with combatting cybercrime in the SA financial sector.

Although cybercrime is very topical worldwide, there are no specific concerns in Nedbank. While fraud and criminality levels continue to increase globally and locally, Nedbank's fraud experience (losses) has shown a year-on-year decrease.

In a bid continuously to improve Nedbank's capability to deal with the challenges in the areas of cybersecurity and information security, focus is placed on landing key enabling initiatives such as the formulation of a cybercrime risk management prevention programme and an integrated financial crime risk management framework.

This strategic approach will enable Nedbank to become even more predictive on emerging risks and trends, both locally and internationally, to facilitate enhanced fraud detection capabilities and protection of valuable and sensitive data from external threats and malicious insiders.

6 Operational risk

Ongoing political, economic, social, environmental and technological developments are expected to continue challenging business operations. The macroeconomic environment, pressure on cost reduction and meeting revenue targets will likely increase the exposure to operational risk in 2015. This calls for enhanced awareness of the external business environment as well as anticipation of and proactive response to emerging risks.

The levels of operational risk capital remain under close scrutiny by the regulators; however, Nedbank's robust governance process ensures that the environment is continually scanned and scenario inputs are updated to ensure that the group remains adequately capitalised.

The top five emerging operational risks are conduct risk, cybercrime, fraud, IT risk and the regulatory environment, and are core components of Nedbank's 2015 risk plan.

To ensure the successful execution of the operational risk strategy there is an ongoing investment in people, processes and technology in key areas across the group.

7 Concentration risk

Unmanaged risk concentrations are traditionally a potential cause of major problems in banks. Concentration risk is therefore considered separately, as part of Nedbank's Risk Appetite Framework, and monitored regularly.

While Nedbank continues to grow wholesale advances faster than retail advances, growth remains within the risk appetite (such as CLR) and without excessive levels of single-name concentration risk. In line with the rest of the market Nedbank's mortgage exposure is high, but is viewed holistically across both residential and commercial mortgages, preferring a dominant market share in commercial, given better risk-based economics and returns.

8 Strategic risk

The bank's strategic plan is chiefly dependent on the success of its ability to execute such plan. Because of this, Nedbank is acutely aware that strategy and execution are interdependent and failure of one will inevitably lead to the failure of the other.

Strategic and execution risks are closely allied in any successful risk management programme and the one cannot be realised without the other being put into effect. In other words, the strategic plan must be done at a practical level to realise the strategy. Because of the close nature of the relationship between the two, it follows that execution risk in the Nedbank Group is a core focus at top management level.

9 Basel III strategic impacts

In responding to Basel III, management continues to deliver, position and prepare Nedbank Group optimally for these regulatory changes. Risk principles have been incorporated in the group's strategic portfolio tilt objectives, facilitating the strategic direction in respect of balance sheet portfolio growth, the consumption of capital, the use of long-dated liquidity and determining the size of the levels of high-quality liquid assets.

Basel III is being phased in over several years, from 2013 until 2019, and as such there are several major Basel III items that are still work in progress:

- Net stable funding ratio (NSFR)

In October 2014 the Basel Committee announced minor changes to the NSFR. Even after these changes SA banks still have a significant NSFR gap to close. As SA banks look strategically to closing this gap, we must understand and respond to any unintended consequences.

Nedbank will continue to work closely with SARB, its peer group and the National Treasury in addressing the structural challenge ahead of the NSFR compliance date, with implementation currently planned for 1 January 2018.

- Balancing risk sensitivity, simplicity and comparability

RWA levels are expected to be increased by the introduction of capital floors to advanced risk-based approaches (eg Advanced Internal Ratings-based Approach, Advanced Measurement Approach and Value at Risk), based on the Basel III Standardised Approach.

- LCR transitional compliance with effect from 1 January 2015

The 60% compliance requirements for LCR came into effect on 1 January 2015 and will increase evenly by an additional 10% each year through to 2019, when banks must comply fully with this ratio.

Nedbank has proactively responded to these requirements, building a strong compliant position before the end of 2014 that included the acquisition of additional high-quality liquid-asset buffers and the creation of a collateralised pool of commercial mortgage bonds that has been pledged against an approved appropriate-size committed liquidity facility provided by SARB as part of the group's optimal compliance with these requirements.

The group's 2015 compliance level includes a conservative buffer designed to absorb any seasonal volatility during the year, and our funding and capital plans include a clear glide path of transitioning towards the higher requirements of 10% pa, ensuring that we accumulate additional high-quality liquid assets in line with these increasing requirements.

10 Regulatory capital, liquidity and funding risks

The extensive transitional Basel III requirements through to 2022 and ongoing developments in work-in-progress items continue to create upside risk to banks' capital requirements through either additional capital buffer requirements or more conservative measures of underlying risk-weighted assets.

The Financial Stability Board (FSB) is nearing the finalisation of proposals for global systemically important banks (G-SIBs) to have total loss-absorbing capital (TLAC) of 16% to 20% before the inclusion of any relevant SIFI charge, capital conservation and countercyclical buffers. The overall aim of the proposal is to limit taxpayer exposure to failing banks, minimise the impact of resolution on financial stability and ensure the availability of sufficient loss-absorbing and recapitalising capacity. Although no SA bank is included on the list of current G-SIBs, local regulators might look to adopt some of the principles applicable in this proposal for domestic systemically important banks (D-SIBs), and Nedbank has been identified as such for SA, along with its peers.

Domestically, raising new capital was adversely impacted by the curatorship of African Bank during 2014, whereby domestic investors' appetite for new-style Basel III-compliant loss-absorbent capital declined. Although appetite for these instruments has returned in 2015, pricing of new-style capital instruments has become more expensive.

Nedbank Group has detailed capital planning to optimally manage the redemption of old-style capital instruments, issue new-style capital instruments and structure its capital base across all tiers of capital. The group also performs ongoing active market sounding in order to meet investor demand and fill appetite at pricing levels that reflect true risk-based economics.

Ongoing regulatory liquidity developments have and will continue to play a significant role in shaping bank balance sheets through to 2020. The new regulatory liquidity ratios, including the LCR and NSFR introduced within Basel III, will have the most significant impact on regulatory liquidity and funding risk. Implications include:

- Banks will continue to raise higher levels of low-yielding high-quality liquid assets to support compliance with the LCR transitional requirements, which will consume the liquidity otherwise available for credit extension.
- Banks will diversify into funding pools in other jurisdictions where domestic pools cannot create adequate levels of long-dated funding to support the requirements of the NSFR.
- Immature capital markets will be developed and evolve in which banks will look to create funding tenor to support the NSFR requirements.
- Deleveraging out of suboptimal long-dated lending as long-dated funding is recognised as a true scarce commodity.
- Development of originate-to-distribute business models.

Compliance with these liquidity ratios will increase the cost of banking as the levels of liquidity transformation decline and liquid-asset buffer levels increase. The upside, however, is that liquidity risk will decline as banks' liquidity profiles improve, with higher levels of liquidity to support short-dated cash outflows under stress and longer-dated cash inflows better matched against long-dated cash outflows.

Risk-adjusted pricing and returns will need to be adjusted and banks will need to respond strategically. At Nedbank we are focused on proactively positioning ourselves.

Conclusion

Nedbank's ERMF has remained resilient through 2014, with a prudent but enabling Risk Appetite Framework, comprehensive stress and scenario testing, a responsive Recovery Plan under Basel III and a robust and strategic Risk Plan for 2015. We are well positioned to elevate risk management to become a competitive differentiator.

BOARD OF DIRECTORS

at 1 January 2015

DR REUEL KHOZA | VASSI NAIDOO *Effective 1 May 2015* | MIKE BROWN | DAVID ADOMAKOH

ESTABLISHED **LEADERSHIP TEAMS**

Reuel Khoza 65

Non-executive Chairman
South African

Qualifications: BA(Hons) Psychology (University of Limpopo), MA Marketing Management (Lancaster, UK), EngD (Warwick, UK), IPBM-IMD (Lausanne, Switzerland), Programme for Management Development (PMD) (Harvard Business School, USA), LLD(hc) Rhodes, CD (SA)

Reuel joined the board as a non-executive director in August 2005 and was appointed as non-executive Chairman of the group in May 2006. Reuel is currently the Chairman of Aka Capital (Pty) Ltd, and a non-executive director of Nampak Limited, Protea Group Limited and Old Mutual plc. He is president of the Institute of directors and, in this capacity, served on the King II and King III Committees on Corporate Governance. He is a founding director of the Black Management Forum and the former Chairman of Eskom Holdings Limited. Reuel is also the Chancellor of the University of Limpopo.

Committee membership: Group Directors' Affairs Committee (Chairman)

Holds 14 774 Nedbank Group Limited ordinary shares.

Vassi Naidoo 60

Non-executive Director and Chairman designate *with effect from 1 May 2015*
South African

Qualifications: CA (SA), ACA and PMD (Harvard Business School, USA)

Vassi has been appointed to the Nedbank Group Limited and Nedbank Limited boards as a non-executive director and Chairman designate with effect from 1 May 2015. Vassi has also been appointed as a non-executive director of Old Mutual plc with effect from 1 May 2015.

Vassi was previously Chief Executive of Deloitte Southern Africa from 1998 to 2006, a member of the Deloitte UK Executive from 2006 to 2009 and a member of Deloitte Global Executive from 2007 to 2011, and thereafter Vice Chairman of Deloitte UK from 2009 to 2014.

Vassi is a member of the South African Institute of Chartered Accountants, with honorary life membership granted in 2011 for his contribution to the development of the profession in SA. He is also a member of the Institute of Chartered Accountants in England and Wales.

Committee membership: *with effect from 1 May 2015*: Group Directors' Affairs Committee

Mike Brown 48

Chief Executive
South African

Qualifications: BCom, DipAcc, CA (SA), CD (SA), AMP (Harvard Business School, USA)

Mike was appointed as Chief Financial Officer in June 2004 and as Chief Executive in March 2010. Mike was previously an executive director of BoE Limited and, after the merger between Nedbank Limited, BoE Limited, Nedbank Investment Bank Limited and Cape of Good Hope Bank Limited, was appointed Head of Property Finance at Nedbank Limited.

Committee membership: Large-exposure Approval Committee, Group Credit Committee, Group Risk and Capital Management Committee

Holds 389 601 Nedbank Group Limited ordinary shares.

David Adomakoh 49

Non-executive Director
Ghanaian

Qualifications: BSc (Econs)(Hons) (London School of Economics), Diplome de Langue et de Civilisation (La Sorbonne, Université de Paris)

David joined the board as an independent non-executive director on 21 February 2014. David is currently the Chairman of Tiso Investment Holdings (Pty) Ltd and a cofounder of Tiso Group, where he served as Group Managing Director. He is a former director of Chase Manhattan Limited, London; Head of the Chase Manhattan Bank, Southern Africa; Executive Director of Robert Fleming SA; and Head of Africa Corporate Finance at JP Morgan. He currently serves as a non-executive director of Kagiso Tiso Holdings (Pty) Ltd, and the Chairman of the Investment Committee. He also serves as a non-executive director of Idwala Industrial Holdings, African Explosives Limited, Aveng (Africa) Limited and Trident Steel.

His experience spans 25 years in executive management and investment banking, and includes principal investing, corporate and project finance advisory work, debt capital raising, and financial derivatives in a number of countries predominantly in Africa and Europe. He has also served on the boards of a number of SA, Nigerian and Ghanaian companies. He is a founding trustee of the Tiso Foundation, and a World Fellow of the Duke of Edinburgh's International Award.

Committee membership: Group Transformation, Social and Ethics Committee

TOM BOARDMAN BRIAN DAMES GRAHAM DEMPSTER MUSTAQ ENUS-BREY IAN GLADMAN

Tom Boardman 65

Non-executive Director
South African

Qualifications: BCom, CA (SA)

Tom was appointed to the board as an executive director in November 2002, and was Chief Executive from December 2003 to February 2010, after which he was appointed as a non-executive director. From 1 January 2014 Tom was classified as an independent non-executive director.

Tom was previously Chief Executive and an executive director of BoE Limited, one of SA's leading private and investment banking companies and which was acquired by Nedbank in 2002. He was the founding shareholder and Managing Director of retail housewares chain Boardmans, which he sold to Pick n Pay Stores Limited in 1986. Before this he was Managing Director of Sam Newman Limited and worked for Anglo American Corporation Limited for three years. He served his articles at Deloitte.

He is also a non-executive director of Woolworths Holdings Limited, Royal Bafokeng Holdings (Pty) Ltd and African Rainbow Minerals Limited. Tom has also been appointed as a non-executive director of Kinnevik, a listed Swedish investment company.

He is a director of the Peace Parks Foundation and the Chairman of the David Rattray Foundation, and serves as a trustee on a number of other charitable foundations.

Committee membership: Group Information Technology Committee (Chairman), Group Audit Committee, Group Credit Committee (Chairman), Large-exposure Approval Committee, Group Finance and Oversight Committee, Group Directors' Affairs Committee

Holds 22 605 Nedbank Group Limited ordinary shares and 158 000 Nedbank Limited preference shares.

Brian Dames 49

Non-executive Director
South African

Qualifications: BSc(Hons), MBA

Brian joined the board as an independent non-executive director on 30 June 2014. Previously Brian served as the Chief Executive of Eskom, the largest power utility in Africa and one of the largest utilities in the world and has extensive experience with global (and specifically with African and South African) energy and resource issues. Brian has demonstrated leadership in successful large-scale corporate turnaround management programmes, funding programmes, infrastructure build and deployment programmes, as well as in corporate governance and sustainability reporting.

Brian is currently Chief Executive of African Rainbow Energy and Power, serves as senior adviser to Mckinsey & Company and a member of the Sustainability Energy for All Executive Committee (UN and World Bank initiative) and serves as a non-executive director of the Industrial Development Corporation of South Africa Limited.

Committee membership: Group Information Technology Committee, Group Credit Committee

Graham Dempster 59

Executive Director
South African

Qualifications: BCom, CTA, CA (SA), AMP (Harvard Business School, USA)

Graham was appointed Chief Operating Officer of Nedbank Group in August 2009 and became an executive director on the board. Graham joined the group in 1980 in the Corporate Finance Division of UAL Merchant Bank Limited. He was appointed General Manager in 1987 and Joint Head of the (UAL) Special Finance Division in 1989. In 1992 he was transferred to Nedbank Limited, and in 1998 he was appointed Head of the International Division. He assumed responsibility for the Corporate Banking Division in 1999 and was appointed Managing Director of Nedbank Corporate in 2003.

Graham joined the Telkom board on 1 December 2014 and Imperial Holdings board on 24 February 2015 as a non-executive director.

Holds 155 337 Nedbank Group Limited ordinary shares.

Mustaq Enus-Brey 60

Non-executive Director
South African

Qualifications: BCompt(Hons), CA (SA)

Mustaq joined the board as a non-executive director in August 2005. He is also a director of Brimstone Investment Corporation Limited and Oceana Group Limited, and the Chairman of Life Healthcare Limited.

Committee membership: Group Risk and Capital Management Committee (Chairman), Group Credit Committee, Group Finance and Oversight Committee, Large-exposure Approval Committee

Holds 2 113 Nedbank Group Limited ordinary shares.

Ian Gladman 50

Non-executive Director
British

Qualifications: BA(Hons) History (Christ's College, Cambridge)

Ian joined the board as a non-executive director in June 2002. Ian is currently the Group Strategy Director of Old Mutual plc. Previous positions held by him include Head of Corporate Finance (SA) and Joint Head: Financial Institutions Group, Europe, the Middle East and Africa (EMEA) at UBS, Investment Bank.

Committee membership: Group Credit Committee, Group Risk and Capital Management Committee, Group Finance and Oversight Committee, Large-exposure Approval Committee

PAUL HANRATTY MPHO MAKWANA MANTSIKA MATOOANE NOMAVUSO MNXASANA RAISIBE MORATHI

Paul Hanratty 53

Non-executive Director
Irish

Qualifications: BBusSci(Hons), Fellow of the Institute of Actuaries

Paul joined the board as a non-executive director on 8 August 2014. Paul is an executive director and the Chief Operating Officer of Old Mutual plc. He started his career with Old Mutual South Africa (OMSA) and has held a number of roles at Old Mutual. These included Head of Product Development; General Manager: Finance and Actuarial; and Head of the Retail business. He joined the board of the OMSA life business (OMLACSA) in 2003 and became Managing Director of OMSA in 2006 and was appointed as Chairman of OMSA in September 2009.

Committee membership: Group Transformation, Social and Ethics Committee

Mpho Makwana 44

Non-executive Director
South African

Qualifications: BAdmin(Hons)

Mpho joined the board as an independent non-executive director on 17 November 2011. Mpho is the immediate past Chairman of Eskom Holdings Limited, an independent director of Adcock Ingram Limited, and the Chairman of ArcelorMittal SA Limited.

Committee membership: Group Remuneration Committee (Chairman), Group Transformation, Social and Ethics Committee, Group IT Committee, Group Audit Committee, Group Directors' Affairs Committee

Mantsika Matooane 39

Non-executive Director
South African

Qualifications: MBA (Henley Business School, UK), PhD in Computer Science (University of Cambridge, UK)

Mantsika joined the board as an independent non-executive director on 15 May 2014.

Mantsika currently serves as Group Executive: Enterprise Information Management Services at Transnet SOC Limited, and serves as a non-executive director of JSE Limited and NMG Consultants and Actuaries (Pty) Ltd.

Committee membership: Group Information Technology Committee

Holds 176 Nedbank Group Limited ordinary shares.

Nomavuso Mnxasana 58

Non-executive Director
South African

Qualifications: BCompt(Hons), CA (SA)

Nomavuso joined the board as an independent non-executive director in October 2008. She is currently a director at Winhold Limited, JSE Limited, Transnet SOC and Land and Agricultural Development Bank of SA Limited (Land Bank). She was a senior partner and member of the executive committee of SizweNtsaluba before serving as Group Audit and Risk Executive at Imperial Holdings Limited.

Committee membership: Group Audit Committee, Group Remuneration Committee, Group Risk and Capital Management Committee.

Holds 11 620 Nedbank Group Limited ordinary shares.

Raisibe Morathi 45

Chief Financial Officer
South African

Qualifications: BCompt(Hons), CA (SA), HDip Tax, AMP (INSEAD)

Raisibe was appointed as Chief Financial Officer of the group in September 2009, and held senior positions in banking and insurance over the past 20 years.

Before joining Nedbank Group Raisibe was an executive director of one of the listed insurance companies. She previously held several executive positions at the Industrial Development Corporation of SA Limited, the last position being Chief Operating Officer.

Committee membership: Large-exposure Approval Committee, Group Credit Committee

Holds 211 337 Nedbank Group Limited ordinary shares.

Joel Netshitenzhe 58

Non-executive Director
South African

Qualifications: MSc in Financial Economics (University of London-SOAS, UK)

Joel joined the board as an independent non-executive director in August 2010. He is currently an executive director of the Mapungubwe Institute for Strategic Reflection (Mistra) and a member of the National Planning Commission. He has been a member of the National Executive Committee of the African National Congress since 1991, and serves on the African National Congress's Economic Transformation and Political Education subcommittees.

He served as Head of Policy Coordination and Advisory Services in the Presidency from 2001 until December 2009.

He was previously Chief Executive of the Government Communication and Information System and also served as Head of Communication in the President's Office.

JOEL NETSHITENZHE MFUNDO NKUHLU JULIAN ROBERTS GLORIA SEROBE MALCOLM WYMAN

He is a non-executive director on the board of Life Healthcare Group Holdings Limited.

Committee membership: Group Risk and Capital Management Committee, Group Information Technology Committee

Mfundo Nkuhlu 48

Chief Operating Officer

South African

Qualifications: BA(Hons), Strategic Management in Banking (INSEAD), AMP (Harvard Business School, USA)

Mfundo was appointed to the board as Chief Operating Officer in January 2015. Mfundo joined the group as Head of Nedbank Africa in 2004 and became Head of Corporate Banking in 2005. He became a member of the Group Executive Committee (Group Exco) in 2008 and Managing Executive Nedbank Corporate in 2009. As a member of the Group Exco, Mfundo was closely involved in the oversight of the business strategies across Nedbank and delivered strong and consistent performance in Nedbank Corporate. Before joining Nedbank, Mfundo was the executive responsible for strategy, revenue and economic analysis at the South African Revenue Service (SARS) and Chief Director in the dti responsible for Africa and NEPAD.

Committee membership: Group Credit Committee

Holds 129 305 Nedbank Group Limited ordinary shares.

Julian Roberts 57

Non-executive Director

British

Qualifications: Fellow of Institute of Chartered Accountants, member of Association of Corporate Treasurers, Accountancy and Business Law (University of Stirling, Scotland)

Julian joined the board as a non-executive director in December 2009. He was appointed as the Group Chief Executive of Old Mutual plc in September 2008 and is also Chairman of New York Stock Exchange-listed Old Mutual Asset Management. Before this he was Chief Executive of the Old Mutual Group's Skandia business. Julian originally joined Old Mutual plc as Group Finance Director in August 2000.

Before joining Old Mutual plc, he was Group Finance Director of Sun Life & Provincial Holdings plc (now part of AXA) and, prior to that, Chief Financial Officer of AON UK Holdings Limited.

Committee membership: Group Directors' Affairs Committee, Group Remuneration Committee

Gloria Serobe 55

Non-executive Director

South African

Qualifications: BCom (Unitra), MBA (Rutgers, USA)

Gloria joined the board as a non-executive director in August 2005.

Gloria is currently the Chief Executive of Wipcapital and also founder and Executive Director of WIPHOLD. She was previously the Executive Director of Finance at Transnet SOC Limited.

Gloria serves on several boards, including that of Sasol Mining and Ixia Coal. She is the Chairman of the board of the Independent Ports Regulator. She is also a non-executive director of Old Mutual Emerging Markets Limited.

Committee membership: Group Transformation, Social and Ethics Committee (Chairman), Group Credit Committee, Large-exposure Approval Committee

Malcolm Wyman 68

Senior Independent Non-executive Director

British

Qualifications: CA (SA), AMP (Harvard Business School, USA)

Malcolm joined the board as an independent non-executive director in August 2009 and was appointed as the Senior Independent Director on 6 May 2011.

Malcolm was previously an executive director and the Chief Financial Officer of SABMiller plc until August 2011. He was also previously a non-executive director of Tsogo Sun Holdings Limited until August 2014.

He is a non-executive director and Chairman of the Audit Committee of Imperial Tobacco Group plc as well as Serco Group plc, which are both listed on the London Stock Exchange.

Committee membership: Group Audit Committee (Chairman), Group Risk and Capital Management Committee, Group Directors' Affairs Committee, Group Remuneration Committee, Group Finance and Oversight Committee (Chairman)

Nedbank Limited
(Incorporated in the Republic of South Africa)
Reg No 1951/000009/06
JSE share code: NBKP ISIN: ZAE0000043667
('Nedbank' or 'the company')

This notice is sent to holders of Nedbank non-redeemable non-cumulative non-participating preference shares ('perpetual preference shares') and the holders of the Class A and Class B redeemable cumulative preference shares (collectively hereafter referred to as 'the preference shares') for information only.

In terms of article 44.8 of the memorandum of incorporation of Nedbank, the holders of the perpetual preference shares will not be entitled to be present or to vote, either in person or by proxy, at any meeting of the company by virtue of or in respect of the perpetual preference shares, unless either or both of the following circumstances prevail at the date of the meeting:

- the preference dividend or any part thereof remains in arrears and unpaid after six (6) months from the due date thereof; and
- a resolution of the company is proposed (in which event the preference shareholders will be entitled to vote only on such resolution) that directly affects the rights attached to the preference shares or the interests of the holders thereof, including a resolution for the winding up of the company or for the reduction of its capital.

In terms of articles 45.9 and 46.9 the holders of the Class A and Class B redeemable cumulative preference shares ('redeemable preference shares') respectively, are entitled to receive notice and attend the annual general meeting, but will not be entitled to speak or vote thereat, unless the circumstances as recorded in these articles prevail at the date of the meeting.

Notice is hereby given to shareholders recorded in the securities register of Nedbank on Friday, 20 March 2015, that the annual general meeting of shareholders will be held in the Executive Boardroom, Ground Floor, Block A, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, on Thursday, 7 May 2015, at 15:00 to deal with such business as may lawfully be dealt with at the meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008 (as amended) ('the Companies Act'), as read with the Listings Requirements of JSE Ltd ('the JSE Listings Requirements'), which meeting is to be participated in and voted at by shareholders recorded in the company's securities register on the record date of Thursday, 30 April 2015.

The quorum requirement for the ordinary and special resolutions set out below is sufficient persons being present to exercise, in aggregate, at least 25% of all voting rights that are entitled to be exercised on the resolutions, provided that at least three shareholders of the company are present at the annual general meeting. The percentage of voting rights required to pass the ordinary resolutions is more than 50% of the voting rights exercised, and the percentage of voting rights required to pass the special resolutions is at least 75% of the voting rights exercised thereon.

Meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to attend or participate in the meeting. Forms of identification include valid identity documents, driving licences and passports.

AGENDA

1 Presentation of annual financial statements and reports

The annual financial statements of the company, incorporating inter alia the Directors' Report and the Auditors' Report, for the financial year ended 31 December 2014, have been distributed as required and will be presented to the shareholders as required in terms of the Companies Act. The complete set of the consolidated audited annual financial statements, together with the reports, are contained in the annual report.

2 Ordinary dividends

To note the dividends of R2 600 000 000,00 declared and paid on 31 March 2014 and R800 000 000,00 declared and paid on 2 September 2014 to the sole shareholder holding the issued ordinary shares for the period 1 January 2014 to 31 December 2014.

3 Dividends on perpetual preference shares

To note preference dividend number 23 of 36,86072 cents per share declared for the period from 1 January 2014 to 30 June 2014, paid on Monday, 1 September 2014, to shareholders of the non-redeemable non-cumulative non-participating preference shares recorded in the books of the company at the close of business on Friday, 29 August 2014, and preference dividend number 24 of 38,76140 cents per preference share declared for the period from 1 July 2014 to 31 December 2014 and payable on Monday, 23 March 2015.

4 Dividends on Class A and Class B redeemable cumulative preference shares

To note and confirm the preference dividend of R97 681,23 declared and paid on 19 February 2014 and R114 833,69 declared and paid on 30 July 2014 on the Class A redeemable cumulative preference shares and the preference dividend of R256 866,22 declared and paid on 19 February 2014 and R187 723,38 declared and paid on 30 July 2014 on the Class B redeemable cumulative preference shares, respectively in accordance with the terms of the preference share subscription and participation agreement entered into between Nedbank, IBL Asset Finance and Services Limited, Imperial Holdings Limited and Associated Motor Holdings Proprietary, Limited to the shareholders respectively holding the Class A and Class B redeemable cumulative preference shares.

5 Retirement

To note the retirement of those non-executive directors of Nedbank who have served on the board for a period longer than nine years and who therefore, in terms of Nedbank Group policy, are required to retire.

Dr RJ Khoza (Chairman), Mr MA Enus-Brey and Mrs GT Serobe were appointed to the Nedbank board on 16 August 2005 and they will retire at the close of the Nedbank Group Limited annual general meeting on 11 May 2015. The board has resolved to elect Mr V Naidoo as Chairman of Nedbank immediately after the close of the Nedbank Group annual general meeting on 11 May 2015, subject to Nedbank shareholders electing him as a non-executive director in terms of ordinary resolution 7.4.

Mr GW Dempster has reached the retirement age for executive directors and he retires from the board at the close of the Nedbank Group annual general meeting on 11 May 2015.

RESOLUTIONS

6 Ordinary resolution 1

Reelection of directors of the Company

To resolve to reelect those directors that will retire by rotation in terms of the memorandum of incorporation of the company and, being eligible, make themselves available for reelection as directors of the company, each by way of a separate vote. Biographical details of the directors to be reelected are set out on pages 166 to 169 of the 2014 Nedbank Annual Report available at **nedbankgroup.co.za**.

6.1 *'To resolve that Mr PM Makwana be and is hereby reelected as a director of the company.'*

6.2 *'To resolve that Mrs NP Mnxasana be and is hereby reelected as a director of the company.'*

7 Ordinary resolution 2

Election of directors of the company appointed during the year

During the year the board of directors appointed Dr MA Matooane and Messrs BA Dames, PB Hanratty, V Naidoo and MC Nkuhlu as directors of the company. These directors retire in terms of the memorandum of incorporation of the company and, being eligible, make themselves available for election. Biographical details are set out on pages 166 to 169 of the 2014 Nedbank Annual Report.

7.1 *'To resolve that Mr BA Dames be and is hereby elected as a director of the company.'*

7.2 *'To resolve that Mr PB Hanratty be and is hereby elected as a director of the company.'*

7.3 *'To resolve that Dr MA Matooane be and is hereby elected as a director of the company.'*

7.4 *'To resolve that Mr V Naidoo be and is hereby elected as a director of the company.'*

7.5 *'To resolve that Mr MC Nkuhlu be and is hereby elected as a director of the company.'*

8 Ordinary resolution 3

Reappointment of external auditors

Following an evaluation of the performance of Deloitte & Touche and KPMG Inc., the Nedbank Group Audit Committee and board recommends the reappointment of the auditors on a joint basis. If either resolution 8.1 or resolution 8.2 is not passed, the resolution which is passed shall be effective.

8.1 *'Resolved that Deloitte and Touche (with Mr M Jordan as designated registered auditor) be and are hereby reappointed as auditors to hold office from the conclusion of the annual general meeting until the conclusion of the next annual general meeting of Nedbank.'*

8.2 *'Resolved that KPMG Inc (with Ms H Berrange as designated registered auditor) be and are hereby reappointed as auditors to hold office from the conclusion of the annual general meeting until the conclusion of the next annual general meeting of Nedbank.'*

9 Ordinary resolution 4

External auditors remuneration

'To resolve that the Nedbank Group Audit Committee be and is hereby authorised to determine the remuneration and the terms of engagement of the auditors of the company.

10 Ordinary resolution 5

Control of authorised, but unissued shares

'To resolve that the authorised, but unissued, shares in the authorised share capital of Nedbank be and are hereby placed under the control of the directors to issue these shares, in such numbers and on such terms and conditions and at such times and at such prices as they deem fit, subject to the provisions of the Companies Act, and the JSE Listings Requirements.'

11 Advisory endorsement of remuneration policy

'To endorse through a non-binding advisory vote that in terms of 'The Revised King Code and Report on Governance for South Africa' (King III), as published in September 2009, shareholders, as required, hereby approve the remuneration policy of the company and its implementation as adopted by the Nedbank Group's Remuneration Report, a copy of which appears on pages 122 to 151 of the 2014 Nedbank Annual Report.'

12 Special resolution 1

Remuneration of non-executive directors

'To resolve that the non-executive directors' fees for their services as directors, in accordance with the company's remuneration policy, as set out in the Remuneration Report contained in the annual financial statements, be and are hereby approved'.

13 Special resolution 2

General authority to provide financial assistance to related and interrelated companies

'To resolve that, subject to the provisions of the Companies Act, the shareholders of the company hereby approve, as a general approval, the company providing direct or indirect financial assistance ('financial assistance') as contemplated in sections 44 and 45 of the Companies Act, whether in the form of advances for expenses, assisting with administration of transactions, loans, loan facilities, extending credit, discharging debts, performing obligations, contractual undertakings, sureties, guarantees, guarantee facilities, mortgages, pledges, cessions, bonds, charges or otherwise, on such terms as may be authorised by the board of directors of the company having regard to the funding and commercial requirements of the Nedbank group of companies (the ' Group') as contemplated in the Companies Act from time to time and in accordance with the following:

1 the financial assistance can be provided to any company that is currently, or in the future, 'related' to 'interrelated' with the company (and any person 'related' to any of such companies) as contemplated by the Companies Act or any other person (a 'recipient') (which, for the avoidance of doubt, excludes financial assistance provided to any directors or prescribed officers of the company or of any such recipients);

2 the financial assistance may be provided for the purpose of, or in connection with, the subscription to any option, or any securities, issued or to be issued by the company or a company related to or interrelated with the company or for the purchase of any securities of the company or a company or corporation that is related to or interrelated with the company as contemplated in section 44 of the Companies Act or any other purpose regulated by section 45 of the Companies Act;

3 authorisation by the board of any financial assistance pursuant to this resolution must be provided within a period of two years following the date of the adoption of this special resolution;

4 any related corporate action must be duly authorised in compliance with the JSE Listings Requirements and the Companies Act, and the Banks Act where applicable;

5 this approval is subject to the board complying with sections 44 and 45 of the Companies Act; and

6 nothing in these terms and conditions will limit the provision by the company of the financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and 45 of the Companies Act or falls within any exemption provided in these sections.'

This resolution, if adopted, will have the effect of authorising the provision of the described financial assistance by the company to companies 'related' to and 'interrelated' with the company and persons 'related' to such companies (subject to the conditions set out in the resolution) if the board of directors decides it is desirable to do so. The effects of providing such financial assistance will depend on the nature of the financial assistance and the purpose for which it is used.

VOTING BY PROXY

A shareholder entitled to attend and vote at the annual general meeting may appoint a proxy or proxies to attend, speak and vote or abstain from voting in his/her/its/their stead. A proxy need not be a shareholder of the company. Completed proxy forms are requested to be received at the office of the transfer secretaries no later than 24 hours before the time appointed for the holding of the annual general meeting.

By order of the board

TSB Jali
Company Secretary

Sandown
20 February 2015

FORM OF PROXY

Nedbank Limited
(Incorporated in the Republic of South Africa)
Reg No 1951/000009/06
JSE share code: NBKP ISIN" ZAE000043667
('the company')

To be used by the holders of voting rights on ordinary shares

I/We

of (address)

being the holder(s) of ______ ordinary shares in the company, appoint (see note 1):

1 or failing him/her

2 or failing him/her

the chairman of the annual general meeting as my/our proxy to act for me/us and on my/our behalf at the annual general meeting that will be held in the Executive Boardroom, Ground Floor, Block A, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, on Thursday, 7 May 2015, at 15:00, for the purpose of considering and, if deemed fit, passing with or without modification as ordinary and special resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against such resolutions and/or to abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions:

		Number of votes (one vote per ordinary share)		
Resolutions		For	Against	Abstain
1.1	Reelection as a director of Mr PM Makwana, who is retiring by rotation			
1.2	Reelection as a director of Mrs NP Mnxasana, who is retiring by rotation			
2.1	Election of Mr BA Dames, who was appointed as a non-executive director since the previous annual general meeting of shareholders			
2.2	Election of Mr PB Hanratty, who was appointed as a non-executive director since the previous annual general meeting of shareholders			
2.3	Election of Dr MA Matooane, who was appointed as a non-executive director since the previous annual general meeting of shareholders			
2.4	Election of Mr V Naidoo, who was appointed as a non-executive director since the previous annual general meeting of shareholders			
2.5	Election of Mr MC Nkuhlu, who was appointed as an executive director since the previous annual general meeting of shareholders			
3.1	Reappointment of external auditors			
4	Determination of the remuneration of the external auditors			
5	Placing of unissued shares under the control of the directors			
6	Advisory endorsement of Remuneration Policy			
	Special Resolutions			
7	Remuneration of non-executive directors			
8	General authority to provide financial assistance to related and interrelated companies			

On a show of hands a person entitled to vote is only entitled to one vote irrespective of the number of the relevant Nedbank shares he/she holds or represents.

On a poll, a person entitled to vote at the annual general meeting present in person or by proxy/proxies is entitled to that proportion of the total votes in the company that the aggregate amount of the nominal value of the Nedbank shares held or represented by him/her bears to the aggregate amount of the nominal value of all the Nedbank shares issued by the company and carrying the right to vote.

A proxy/proxies may delegate his/her/their authority in terms of this proxy to another person. This proxy form will lapse and cease to be of force and effect immediately after the annual general meeting of the company to be held in the Executive Boardroom, Ground Floor, Block A, Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton on Thursday, 7 May 2015, at 15:00 or at any adjournment thereof, unless it is revoked earlier.

Signed at (place) on (date) 2015

Signature

Assisted by me (where applicable)

Please read the notes on the reverse side hereof.

SUMMARY OF RIGHTS OF A HOLDER TO BE REPRESENTED BY PROXY AS CONTAINED IN SECTION 58 OF THE COMPANIES ACT AND NOTES TO FORM OF PROXY

1 Each holder entitled to attend and vote at the annual general meeting is entitled to appoint one or more individuals as proxy/proxies (who need not be person(s) entitled to vote at the annual general meeting) to attend, participate in, speak and vote or abstain from voting in place of that holder at the annual general meeting.

2 The proxy/proxies may delegate the authority received from the holder to a further person, subject to any restriction set out in this form of proxy.

3 A proxy appointment must be in writing, dated and signed by the holder appointing the proxy/proxies.

4 A holder may insert the name of a proxy or the names of two alternative proxies of the holder's choice in the space provided, with or without deleting 'the chairman of the annual general meeting'. The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of the persons whose names follow. Further, a holder may appoint more than one proxy to exercise voting rights attached to different securities held by that holder.

5 A holder's instructions to the proxy/proxies have to be indicated by the insertion of the relevant number of votes exercisable by that holder in the appropriate box provided. Failure to comply with this will be deemed to authorise the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the annual general meeting, or the appointed proxy/proxies to vote or to abstain from voting at the annual general meeting, without direction as he/she/they deem(s) fit, in respect of all the holder's votes exercisable thereat.

6 A holder or his/her proxy/proxies is/are not obliged to vote in respect of all the ordinary shares held by such holder or represented by such proxy/proxies, but the total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the holder or his/her proxy/proxies is/are entitled.

7 Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity has to be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting. Examples of satisfactory identification include a valid identity document, a valid driver's licence or a valid passport.

8 Any alterations or corrections to this form of proxy shall be initialled by the signatory/signatories.

9 The completion and lodging of this form of proxy shall not preclude the relevant holder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such holder wish to do so, in which case this proxy shall be suspended accordingly.

10 Forms of proxy have to be lodged with or posted to the Company Secretary's office (for the attention of Ms Jackie Katzin, Block A, Ground Floor, Nedbank 135 Rivonia Road Campus, 135 Rivonia Road, Sandown, Sandton, 2196 or PO Box 1144, Johannesburg, 2000) or the company's transfer secretaries in South Africa, namely Computershare Investor Services Proprietary Limited ('Computershare'), 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107). The forms of proxy are requested to be received no later than 15:00 on Wednesday, 6 May 2015. Forms of proxy can also be submitted by fax to Computershare (fax number +27 (0)11 688 5238), subject to the proxy instructions meeting all other criteria. Any form of proxy not received by the company or the company's transfer secretaries in accordance with the above, must be handed to the Company Secretary at the annual general meeting before a proxy/proxies may exercise any voting rights of a holder at the annual general meeting.

11 This form of proxy may be completed by:

11.1 those holders who are holding Nedbank shares in a certificated form; or

11.2 those holders who are recorded in the subregister as holding Nedbank shares in dematerialised electronic form in their own name; or

11.3 persons who are not shareholders but who are entitled to exercise any voting rights (irrespective of the form, title or nature of the securities to which those voting rights are attached) as at the record date at this annual general meeting.

12 Holders of Nedbank ordinary shares (whether certificated or dematerialised) through a nominee should timeously make the necessary arrangements with that nominee or, if applicable, participant (previously referred to as central securities depository participant) or broker on how they wish their votes to be cast on their behalf at the annual general meeting. As far as holdings in a participant are concerned, these will be guided by the terms of the agreement entered into between shareholders and their participant or broker.

13 Holders attending the annual general meeting will be afforded the opportunity of putting questions to the directors and management. A perforated question form has been included for this purpose.

14 If this form of proxy has been delivered to the company in accordance with paragraph 10, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company's memorandum of incorporation to be delivered by the company to a holder must be delivered by the company to the holder or, alternatively, if a holder has directed the company to do so in writing and has paid any reasonable fees charged by the company for doing so, to such holder's proxy/proxies.

15 Save if a holder provides in this proxy form that a proxy appointment is irrevocable, a holder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy/proxies; and (ii) delivering a copy of the revocation instrument to the proxy/proxies and to the Company Secretary's office at Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196, for attention Jackie Katzin, to be received before the replacement proxy/proxies exercise(s) any rights of the holder at the annual general meeting of the company or any adjournment thereof.

16 The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's/ proxies' authority to act on behalf of the holder as of the later of: (i) the date stated in the revocation instrument, if any; or (ii) the date on which the revocation instrument was delivered as required in paragraph 15 above.

TERMS USED IN OUR REPORT

Advanced internal ratings-based approach

The advanced Internal Ratings-Based (AIRB) Approach is subject to supervisory approval where a bank may use its internal developed credit risk measurement systems to calculate the capital requirements for credit risk.

Advanced measurement approach

The Advanced Measurement Approach (AMA) allows a bank to calculate its regulatory capital charge (using internal models) based on internal risk variables and profiles. This is the only risk-sensitive approach for operational risk allowed in Basel II.

Assets under management

These are assets managed by Nedbank Group, beneficially owned by clients and therefore not reported on the consolidated balance sheet; advances that have been either fully or partially utilised by a borrower.

Automated teller machine

An automated teller machine (ATM) is a cash machine or a free-standing cash dispensing device that may also provide other information or services for clients who have a card and a personal identification number, a password or other personal identification.

Banks

This asset class covers all exposures to counterparties treated as banks.

Basel capital accord

The new Basel Capital Accord (Basel II) of the Bank for International Settlements is an improved capital adequacy framework accomplished by closely aligning banks' capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities. It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure.

Basel asset classes (as categorised in the BA 200 return)

Corporate

Corporate exposures

Corporate exposures are a debt obligation of a corporation, partnership or proprietorship. Banks are permitted to distinguish separately exposures to small and medium-sized enterprises.

Specialised lending high-volatility commercial real estate

High-volatility commercial real estate (HVCRE) lending is the financing of commercial real estate that exhibits higher-loss-rate volatility compared with other types of specialised lending.

Specialised lending income-producing real estate

Income-producing real estate (IPRE) refers to a method of providing funding for real estate (such as office buildings to let, retail space, multifamily residential buildings, industrial or warehouse space and hotels) where the prospects for repayment and recovery on the exposure depend primarily on the cashflows generated by the asset. The primary source of these cashflows would generally be lease or rental payments or the sale of the asset.

Specialised lending object finance

Object finance (OF) refers to a method of funding the acquisition of physical assets (eg ships, aircraft, satellites, rolling stock, and fleets) where the repayment of the exposure is dependent on the cashflows generated by the specific assets that have been financed and pledged.

Specialised lending commodities finance

Commodities finance (CF) refers to structured short-term lending to finance reserves, inventories, or receivables of exchange-traded commodities (eg crude oil, metals or crops), where the exposure will be repaid from the proceeds of the sale of the commodity.

Specialised lending project finance

Project finance (PF) is a method of funding where the lender looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the exposure. This type of financing is usually for large, complex and expensive installations, for example power plants, chemical-processing plants and mines.

Small and medium enterprises corporate

This asset class covers all exposures to small and medium enterprises (SME) that are classified as corporate, based on criteria prescribed by the Regulator.

Purchased receivables corporate

This asset class covers all receivables classified as corporate exposures that are purchased for inclusion in asset-backed securitisation structures, but banks may also use this approach with the approval of national supervisors for appropriate on-balance-sheet exposures that share the same features.

Public sector entities

This asset class covers all exposures to enterprises that are wholly or majority owned by the central government, eg Eskom and Transnet.

Local governments and municipalities

This asset class covers all exposures to metropolitan councils, district councils and municipalities.

Sovereign (including central government and central bank)

This asset class covers all exposures to counterparties treated as central government.

Securities firms

This asset class covers all exposures to enterprises regulated by a recognised authority and trading in securities.

Retail exposures

Retail mortgages (including home equity line of credit)

This asset class covers all mortgage advances or credit lines to individuals that are fully secured by a mortgage over residential property.

Retail revolving credit

This involves exposures to individuals that are revolving, unsecured, and committed (both contractually and in practice). In this context, revolving exposures may be defined as those in respect of which clients' outstanding balances are permitted to fluctuate based on their decisions to borrow and repay up to a limit established by the bank.

Retail other

This asset class covers all non-revolving exposures (excluding mortgage advances) to individuals.

Small and medium enterprises retail

This asset class covers all exposures to SMEs that are classified as retail, based on criteria prescribed by the regulator.

Purchased receivables – retail

This asset class covers all receivables classified as retail exposures and are purchased for inclusion in asset-backed securitisation structures, but banks may also use this approach with the approval of national supervisors for appropriate on-balance-sheet exposures that share the same features.

Black economic empowerment transaction

Nedbank Group's black economic empowerment (BEE) transaction, which focused primarily on the issuing of shares to BEE partners for the purposes of broad-based black economic empowerment (BBBEE), equating to approximately 9,3% (43 618 748 shares) of total share capital and equating to black ownership of 11,5% of the value of Nedbank Group's SA businesses in 2005. Nedbank Namibia's BEE transaction, which focused primarily on the issuing of shares to BEE partners and affinity groups for the purposes of BEE in Namibia, equating to approximately 0,14% (665 680 shares) of total share capital of Nedbank Group Limited and equating to black ownership of 11,13% of the value of NedNamibia Holdings Limited, Nedbank Group's Namibian business in 2006.

Borrowing group

A group of clients and their underlying loans and advances according to the per person definition of the 'Regulations Related to Banks'.

Capital adequacy ratio

The capital adequacy of SA banks is measured in terms of the SA Banks Act requirements. One calculateds the ratio by dividing the primary (tier 1), secondary (tier 2) and tertiary (tier 3) capital by the risk-weighted assets.

Group capital adequacy ratio

Group capital adequacy is the ratio of group net qualifying capital and reserve funds to total group risk-weighted assets as calculated according to the SA Banks Act requirements.

Primary (tier 1) capital

Primary capital consists of issued ordinary share capital and perpetual preference share capital, qualifying perpetual callable hybrid capital, retained earnings and reserves, less regulatory deductions.

Core tier 1 capital

Core tier 1 capital is primary capital less any amount in non-core tier 1 capital, being perpetual preference share capital and qualifying, perpetual, callable hybrid capital.

Secondary (tier 2) capital

Secondary capital is made up of subordinated dated debt and certain types of perpetual callable debt, the excess amount in respect of eligible provisions, and 50% of any revaluation surplus less regulatory deductions.

Tertiary (tier 3) capital

Tertiary capital consists of capital obtained by way of unsecured subordinated loans, subject to any conditions that may be prescribed.

CASHFLOW

Financing activities

Activities that result in changes to the capital structure of the group.

Investment activities

Activities relating to the acquisition, holding and disposal of property and equipment and long-term investments.

Operating activities

Activities that are not financing or investing activities and arise from the operations conducted by the group.

Credit loss ratio

Credit loss ratio is the impairments charge as a percentage of average advances.

Defaulted advance

This is any advance or group of advances that has triggered the relevant definition of default criteria for that portfolio that are in line with the amended Banks Act regulations relating to banks. For retail portfolios it is transaction-centred and therefore a default would be specific to an account (specific advance). For wholesale portfolios it is client- or borrower-centred, meaning that in the event any transaction within a borrowing group defaults, then all transactions within the borrowing group would be defaulted.

Definition of default

At a minimum, a default is deemed to have occurred where a material obligation is overdue for more than 90 days or an obligor exceeds an advised limit for more than 90 days.

Deferred taxation assets

Deferred taxation assets are the amounts of income taxation recoverable in future periods in respect of:

- deductible temporary differences due to differences between the taxation and accounting treatment of transactions; and
- the carry forward of unused taxation losses.

Deferred taxation liabilities

Deferred taxation liabilities are the amounts of income tax payable in future periods due to differences between the tax and accounting treatment of transactions.

Direct taxation

Direct taxation includes normal taxation on income, capital gains tax (CGT) and secondary tax on companies (STC).

Dividend/Distribution cover

Headline earnings per share divided by the dividend/distribution declared per share.

Dividend/Distribution declared per share

Dividend/Distribution declared per share is the actual interim dividend paid/capitalisation award issued and the final dividend declared/ capitalisation award declared for the period under consideration, expressed in cents.

Dividend/Distribution paid/capitalised per share

Dividend/Distribution paid/capitalised per share is the actual final dividend paid/capitalisation award issued for the prior year and the interim dividend paid/capitalisation award issued for the year under consideration, expressed in cents.

Dividend yield

Dividend/Capitalisation award declared per ordinary share as a percentage of the closing share price of ordinary shares.

Downturn expected loss

A stress-tested value for expected loss under downturn economic conditions that could have unfavourable effects on a bank's credit exposures.

dti codes

The Codes of Good Practice as promulgated on 9 February 2007 under section 9(1) of the Broad-based Black Economic Empowerment Act, 53 of 2003, establish the rules, targets and stipulations for the measurement of BBBEE within SA based on three scorecard classifications for organisations: emerging microenterprise (EME), qualifying small enterprise (QSE), or generic enterprise. Nedbank is scored as a generic enterprise under the published codes.

Earnings per share

Basic earnings basis

Income attributable to equity holders for the period divided by the weighted average number of ordinary shares in issue (net of shares held by group entities) during the period.

Headline earnings basis

Headline earnings divided by the weighted average number of shares in issue (net of shares held by group entities) during the period.

Fully diluted basis

The relevant earnings figure is adjusted for the assumed adjustments to income that would have been earned on the issue of shares issued from dilutive instruments. The resultant earnings are divided by the weighted average number of ordinary shares and other dilutive instruments (ie potential ordinary shares) outstanding at the period-end, assuming they had been in issue for the period.

Earnings yield

Headline earnings per share as a percentage of the closing price of ordinary shares.

Economic capital

Economic capital (eCap) is the quantification of risk and an internal assessment of the amount of capital required to protect the group against economic losses with a desired level of confidence (solvency standard or default probability) over a one-year time horizon. In other words, it is the magnitude of economic losses the group could withstand while still remaining solvent.

Economic profit or loss

Headline earnings after adjusting for cost of capital.

Effective taxation rate
The taxation charge in the income statement, excluding taxation relating to non-trading and capital items, as a percentage of profit before taxation.

Efficiency ratio (cost-to-income ratio)
Total expenses as a percentage of income from normal operations (net interest income plus non-interest revenue).

Exposure at default
Exposure at default (EAD) is an estimation of the extent to which a bank may be exposed to a counterparty in the event of, and at the time of, that counterparty's default.

Expected loss
Expected loss (EL) is the expected value of portfolio losses due to default over a specified time horizon.

Foreign exchange translation gains/losses
The results and assets/liabilities of all foreign entities controlled by the group that have a rand-functional currency are translated at the closing exchange rate and the differences arising are recognised in the income statement as foreign exchange translation gains/losses.

Headline earnings
Headline earnings is not a measure of maintainable earnings. For purposes of the definition and calculation, the guidance given on headline earnings, as issued by the SA Institute of Chartered Accountants in circular 07/02 of December 2002, has been used. Headline earnings consist of the earnings attributable to ordinary shareholders excluding non-trading and capital items.

International Financial Reporting Standards
International Financial Reporting Standards (IFRS), as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. Nedbank Group's consolidated financial results are prepared in accordance with IFRS.

Impairments charge to average advances
This is the impairments charge on loans and advances for the year divided by average advances; also known as the credit loss ratio or impairment ratio.

Impairment of loans and advances
Impairment of loans and advances arises where there is objective evidence that the group will not be able to collect an amount due.

The impairment is the difference between the carrying amount and the estimated recoverable amount.

Indirect taxation
This is value-added tax (VAT) and other taxes, levies and duties paid to government, excluding direct taxation.

'Jaws' ratio
This is the difference between the rate of growth in total income from normal operations and the rate of total expense growth.

Johannesburg Interbank Agreed Rate
The Johannesburg Interbank Agreed Rate (JIBAR) is the rate that SA banks charge each other for wholesale money.

King II (the code)
The King Report on Corporate Governance 2002 sets out principles of good corporate governance for SA companies and organisations.

King III
The revised King Code and Report on Corporate Governance for South Africa 2009 sets out revised principles of good corporate governance for SA companies.

London Interbank Offered Rate
The London Interbank Offered Rate (LIBOR) is the rate that banks participating in the London money market offer each other for short-term deposits.

Market capitalisation
This is the group's closing share price multiplied by the number of shares in issue including shares held by group entities.

Net asset value per share
This is total equity attributable to equity holders of the parent divided by the number of shares in issue, excluding shares held by group entities.

Net interest income to average interest-earning assets (net interest margin)
This is net interest income expressed as a percentage of average net interest-earning banking assets. Net interest-earning banking assets are used, as these closely resemble the quantum of assets earning income that is included in net margin.

Non-interest revenue to total expenses
This is non-interest revenue as a percentage of total expenses from normal operations.

Non-interest revenue to total income
This is non-interest revenue as a percentage of total income from normal operations.

Non-trading and capital items
These comprise the following:

- surpluses and losses on disposal of long-term investments, subsidiaries, joint ventures and associates;
- impairment of goodwill arising on acquisition of subsidiaries, joint ventures and associates;
- surpluses and losses on the sale or termination of an operation;
- capital cost of fundamental reorganisation or restructuring having a material effect on the nature and focus of the operations of the reporting entities;
- impairment of investments, property and equipment, computer software and capitalised development costs; and
- other items of a capital nature.

Off-balance-sheet assets
These are assets managed on behalf of third parties on a fully discretionary basis.

Price/earnings ratio
This is the closing price of ordinary shares divided by headline earnings (for the previous 12 months) per share.

Properties in possession
Properties in possession (PIPS) are acquired through payment defaults on loans secured by properties.

Return on ordinary shareholders' equity
Return on ordinary shareholders' equity (ROE) is headline earnings expressed as a percentage of average equity attributable to equity holders of the parent.

Return on ordinary shareholders' equity excluding goodwill
ROE excluding goodwill is headline earnings expressed as a percentage of average equity attributable to equity holders of the parent less goodwill.

Return on total assets
Return on total assets (ROA) is headline earnings expressed as a percentage of average total assets.

Risk-weighted assets
Risk-weighted assets (RWA) are determined through the application of risk weights to balance sheet assets and off-balance-sheet financial instruments according to the relative credit risk of the counterparty. The risk weighting for each balance sheet asset and off-balance-sheet financial instrument is regulated by the SA Banks Act or by regulations in the respective countries of the other banking licences.

South African Reserve Bank regulations related to banks and the BA returns*

The regulations relating to banks were amended with effect from 1 January 2008, based on the revised Basel Capital Accord (Basel II). The new Basel Capital Accord of the Bank of International Settlements is an improved capital adequacy framework accomplished by closely aligning banks' capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities.

It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure.

** The new Banks Act regulatory returns.*

Segmental reporting

Operational segment

A distinguishable component of the group, based on the market on which each business area focuses, which is subject to risks and returns that are different from those of other operating segments.

Geographical segment

A distinguishable component of the group that is engaged in providing services within a particular economic environment and is subject to risks and returns that are different from those of components operating in other economic environments.

Securitisation exposures

This asset class covers all exposures to tradable, interest-bearing commercial paper, which is secured by an underlying asset, eg mortgage loans.

Share-based payments

These are the transfers of a company's equity instruments by its shareholders to parties that have supplied goods or services to the company (including employees).

Shares held by group entities (treasury shares)

These are ordinary shares in Nedbank Group Limited acquired/held by group companies, including ordinary shares held in share trusts as part of the BEE transaction.

Self-service terminal

A self-service terminal (SST) is similar to an ATM, but is designed for non-cash transactions.

The Standardised Approach

The Standardised Approach (TSA) is an approach to calculating regulatory credit risk requirements that sets out specific risk weights specified by the Regulator in lieu of the AIRB Approach.

Tangible net asset value per share

This is total equity attributable to equity holders of the parent less goodwill, computer software and capitalised development costs, divided by the number of shares in issue, excluding shares held by group entities.

Total collateral

This is the total monetary value of all collateral held by a bank as security for an advance(s), limited to exposure.

Total credit extended

This is the total of all advances extended by a bank, including unutilised facilities and other off-balance-sheet exposures.

Total equity attributable to equity holders of the parent

This is ordinary share capital, share premium and reserves.

Weighted average number of shares

This is the number of shares in issue increased by shares issued during the period, weighted on a time basis for the period during which they participated in the income of the group, less shares held by group entities, weighted on a time basis for the period during which the entities held these shares.

These definitions should be read in conjunction with the group's accounting policies, which also clarify certain terms used.

ABBREVIATIONS, ACRONYMS AND INITIALISMS USED IN OUR REPORT

ABASA	Advancement of Black Accountants of Southern Africa
ABCP	Asset-backed Commercial Paper
ACT	Arts & Culture Trust
AFR	Available Financial Resources
AIRB	Advanced Internal Ratings-based approach
ALCO	Asset and Liability Committee
AMA	Advanced Measurement Approach
AML	Anti-money-laundering
ANC	African National Congress
APE	Annualised Premium Equivalent
ATF	African Task Force
ATM	Automated teller machine
AUA	Assets Under Administration
AWCA	African Women Chartered Accountants
BA	Banks Act
BANKSETA	Banking Sector Training Authority
BASA	The Banking Association South Africa
BAU	Business as usual
BBBEE	Broad-based Black Economic Empowerment
BBP	Black Business Partner
BCM	Business Continuity Management
BEE	Black Economic Empowerment
BES	Board Ethics Statement
BESA	Bond Exchange of South Africa
BO	Black-owned
BRMF	Business Risk Management Forum
BRT	Bus Rapid Transport
BUSA	Business Unity South Africa
BWA	Businesswomen's Association
BWO	Black-women-owned
CAGR	Compound average growth rate
CAR	Capital adequacy ratio
CBC	Commonwealth Business Council
CBSS	Compulsory bonus share scheme
CCB1	Capital conservation buffer
CCB2	Countercyclical capital buffer
CCMA	Commission for Conciliation, Mediation and Arbitration
CCR	Counterparty credit risk
CDP	Carbon Disclosure Project
CE	Chief Executive
CEM	Current exposure method
CET1	Common-equity tier 1
CF	Commodities finance
CFL	Compact fluorescent lamp
CFT	Combating the financing of terrorists
CGT	Capital gains tax
CGU	Cash-generating unit
CHOC	Childhood Cancer Foundation South Africa
CLR	Credit-loss ratio
CMAT™	Customer Management Assessment Tool
CNHR	Cost of non-hedgeable risk
COE	Cost of equity
COID ACT	Compensation for Occupational Injuries and Diseases Act
CPI	Consumer price index
CPT	Corporate performance target
CSI	Corporate social investment
CVA	Credit valuation adjustment
CWG	Cape Winemakers Guild
DAC	Directors' Affairs Committee
DBSA	Development Bank of Southern Africa
DEFRA	Department for Environment, Food And Rural Affairs (UK)
dEL	Downturn expected loss
DEPS	Diluted earnings per share
DIFR	Disability incident frequency rate
DMTN	Domestic medium-term note
DOE	Department of Energy
DSTI	Deferred short-term incentive
DSTIS	Deferred short-term incentive scheme
DTI	Department of Trade And Industry
EAD	Exposure at default
EaR	Earnings at risk
ED	Enterprise development
ECD	Early-childhood development
EE	Employment equity
EGC	Enterprise Governance and Compliance
EL	Expected loss
EME	Exempt microenterprise
EMTN	Euro Medium-term Note

EP	Economic profit
EPS	Earnings per share
EPWP	Expanded Public Works Programme
ERM	Enterprisewide Risk Management
ERMF	Enterprisewide Risk Management Framework
ETI	Ecobank Transnational Incorporated
EV	Embedded value
EVE	Economic value of equity
EXCO	Executive Committee
FAIS ACT	Financial Advisory and Intermediary Services Act
FATCA	Foreign Account Tax Compliance Act
FCT	Foreign currency translation
FCTR	Foreign currency translation reserves
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act
FRTB	Fundamental review of the trading book
FSB	Financial Services Board
FSC	Financial Sector Charter
FSSS	Financial Services Sector Supplement
FTE	Fulltime employee
FVTPL	Fair value through profit and loss
GAC	Group Audit Committee
GCC	Group Credit Committee
GDP	Graduate development programme
GDP	Gross domestic product
GEF	Group Environmental Forum
GFOC	Group Finance and Oversight Committee
GHG	Greenhouse gas(es)
GIA	Group Internal Audit
GLC	Global Local Currency
GORC	Group Operational Risk Committee
GORM	Group Operational Risk Management
GORMF	Group Operational Risk Management Framework
GP	Guaranteed package
GRC	Group Remuneration Committee
GRCMC	Group Risk and Capital Management Committee
GRI	Global Reporting Initiative
GSC	Group Sustainability Committee
GTSC	Group Transformation And Sustainability Committee
HEPS	Headline earnings per share
HQLA	High-quality liquid asset
HR	Human Resources
HVCRE	High-volatility commercial real estate
IAS	International Accounting Standard(s)
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment Process
IEP	Integrated Energy Plan
IFC	International Finance Corporation
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IMA	Internal Model Approach
IPRE	Income-producing Real Estate
IR	Industrial Relations
IRRBB	Interest rate risk in the banking book
IRP2	Integrated Resource Plan 2
IT	Information technology
IBAR	Johannesburg Interbank Agreed Rate
JSE, THE	JSE Limited
KPI	Key Performance Indicator
KRI	Key Risk Indicator
KZN	Kwazulu-Natal
LCA	Life cycle analysis
LCR	Liquidity coverage ratio
LFDG	Leading for Deep Green
LGD	Loss given default
LTI	Long-term incentive
LTIP	Long-term Incentive Plan
MDP	Management Development Programme
MFC	Motor Finance Corporation
MMFTP	Matched maturity funds transfer pricing
NBI	National Business Initiative
NCA	National Credit Act
NEEF	Nedbank Employment Equity Forum
NEPAD	New Partnership for Africa's Development
NGO	Non-government organisation
NGR	Nedbank Group Rating
NII	Net interest income
NIM	Net interest margin
NIR	Non-interest revenue
NMCF	Nelson Mandela Children's Fund
NMF	Nedbank Motor Finance
NMM	Nelson Mandela Metro
NPAT	Net profit after tax
NPO	Non-profit organisation
NSFR	Net stable funding ratio
NSS	Nedbank Staff Survey
OF	Object Finance
OHS	Occupational Health and Safety
OHS ACT	Occupational Health and Safety Act
OMART	Old Mutual Alternative Risk Transfer Fund
OMG	Old Mutual Group
OMSA	Old Mutual (South Africa)
ORM	Operational Risk Management
ORMF	Operational Risk Management Framework

OSE	Ordinary shareholders' equity
OTC	Over the counter
PF	Project Finance
PGN	Professional Guidance Note
PIIGS	Portugal, Italy, Ireland, Greece And Spain
POS	Point of sale
PVFP	Present value of future profits
PVNBP	Present value of new-business premiums
PWD	People with disabilities
QASA	Quadpara Association of South Africa
QIS	Quantitative impact studies
QSE	Qualifying small entity
QROPS	Qualifying recognised overseas pension funds
RAPM	Risk-adjusted Performance Measurement
RBB	Retail and Business Banking
REDD	Reducing Emissions from Deforestation and Forest Degradation
REFIT	Renewable-energy feed-in tariff
RMBS	Residential mortgage-backed securitisation programme
RoA	Rest of Africa
ROA	Return on (total) assets
ROE	Return on equity/return on ordinary shareholders' funds
RRP	Resolution and recovery plan
RSP	Restricted Share Plan
RWA	risk-weighted assets
SA™	South Africa™
SACCT	South African Children's Charity Trust
SADC	Southern African Development Community
SAE4D	South African Employers 4 Disability
SAM	Solvency Assessment and Management
SAPS	South African Police Service
SAR	Share Appreciation Right
SARB	South African Reserve Bank
SARS	South African Revenue Service
SBP	Share-based payments
SED	Socioeconomic development
SEMS	Social and Environmental Management System
SENS	Securities Exchange News Service
SIFE	Students in Free Enterprise
SIFI	Systematically Important Financial Institution
SME	Small- and medium-sized enterprises
SMME	Small, medium and microenterprises
SPE	Special-purpose entity
SPV	Special-purpose vehicle
SREP	Supervisory Review and Evaluation Process
SRI	Socially Responsible Index
SRP	Securities Regulation Panel
SST	Self-service terminal
STC	Secondary Tax on Companies
STI	Short-term incentive
STR	Suspicious-Transaction Reporting
STT	Securities Transfer Tax
TB	Tuberculosis
TCC	Total cost to company
TCTS	Teach Children to Save
TOPP	Training Outside of Public Practice
TPA	Tonnes per annum
TSA	The Standardised Approach
TTC	Through-the-cycle
UN	United Nations
UNEP	United Nations Environment Programme
UNEP FI	United Nations Environment Programme Finance Initiative
UNISA	University of South Africa
VaR	Value at risk
VAT	Value-added tax
VCT	Voluntary counselling and testing
VIF (BUSINESS)	Value of in-force (business)
VNB	Value of new business
VYPD	Vezokuhle Youth Development Project
WWF	World Wide Fund for Nature
WWF – SA	World Wide Fund for Nature – South Africa
Yoy	Year on year
YTD	Year to date

CODES FOR OUR FINANCIAL INSTRUMENTS

NEDBANK LIMITED NON-REDEEMABLE NON-CUMULATIVE PREFERENCE SHARES

JSE share code:	NBKP
ISIN code:	ZAE000043667

NEDBANK LIMITED SENIOR UNSECURED DEBT

Listed on the Bond Exchange of SA	ISIN code:
NBK1B	ZAG000071366
NBK2A	ZAG000071341
NBK2B	ZAG000071358
NBK3A	ZAG000071408
NBKI1	ZAG000071374
NBK4	ZAG000072729
NBKI1U	ZAG000073792
NBK5B	ZAG000076613
NBK6A	ZAG000076639
NBK6B	ZAG000076621
NBK7B	ZAG000076647

NEDBANK LIMITED SUBORDINATED DEBT

Listed on the Bond Exchange of SA	ISIN code:
NED5	ZAG000029810
NED6	ZAG000033358
NED7	ZAG000036831
NED8	ZAG000036849
NED9	ZAG000041120
NED10	ZAG000043191
NED11	ZAG000044272
NED12A	ZAG000047937
NED12B	ZAG000047945
NEDH1A	ZAG000053703
NEDH1B	ZAG000053711

LISTED ON THE LONDON STOCK EXCHANGE

USD100m 13 NC 8 (EMTN01)	XS0415508307
IPB3	ZAG000062605

NEDBANK LIMITED SECURITISATION ISSUE

Listed on the Bond Exchange of SA	ISIN code:
GR1A2A	ZAG000047218
GRN1A1	ZAG000047192
GRN1B	ZAG000047234
GRN1C	ZAG000047176
GRN1D	ZAG000047184
OCT1A1	ZAG000040361
OCT1A4	ZAG000040395
OCT1B1	ZAG000040403
OCT1C1	ZAG000040411
OCT1D1	ZAG000040429
OCT1E1	ZAG000040437

Notes:

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NEDBANK GROUP INTEGRATED REPORT 2014

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DISCLAIMER

Nedbank has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this document, including all information that may be defined as 'forward-looking statements' within the meaning of US securities legislation.

Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'.

Forward-looking statements are not statements of fact, but statements by the management of Nedbank based on its current estimates, projections, expectations, beliefs and assumptions regarding the group's future performance.

No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

The risks and uncertainties inherent in the forward-looking statements contained in this document include, but are not limited to: changes to International Financial Reporting Standards and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political risks; and the effects of both current and future litigation.

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